The Indiana Welfare Reform Evaluation:

Program Implementation and Economic Impacts After Two Years

November 1998

Prepared for
Division of Family and Children
Family and Social Services Administration
402 W. Washington, Street
Indianapolis, IN 46207

Prepared by
David J. Fein
Erik Beecroft
William Hamilton
Wang S. Lee
Abt Associates Inc.

Pamela A. Holcomb
Terri S. Thompson
Caroline E. Ratcliffe
The Urban Institute

TABLE OF CONTENTS

LIST OF EXHIBITS

ACKNOWLEDGMENTS

The Indiana Welfare Reform Evaluation has required several years of commitment, cooperation, and hard work from staff at the Division of Family and Children in Indiana's Family and Social Services Administration. While we thank everyone who has helped, we would like to acknowledge some individuals whose contributions have been particularly important.

Since December 1995, DFC's Director, Jim Hmurovich, has vigorously supported every aspect of the evaluation, helped us solve problems as they arose, and responded thoughtfully on every issue and product. Char Burkett-Sims, DFC's main AFDC/TANF policy expert, has also played a leading role in the evaluation since the beginning. Her knowledge and contributions to strengthening the evaluation design have been invaluable. Kathy Koehler, the manager of DFC's Bureau of Program Evaluation, has made a large contribution to the evaluation since she came to DFC several months ago. Her predecessors in managing the evaluation, Tracey Nixon and Brian Noss, played critical roles at earlier stages in the project. David Webster, the Director of the Office of Reports and Statistics, has been a primary source of data. We greatly appreciate the help he has provided, and his unfailing good humor in providing help.

Other DFC Central Office staff who have been especially helpful include Kathy Rollins, Jim Perez, Thurl Snell, Carlis Williams, Jeannie Cipolla-Van Scyoc, Kathy McCain, Dale Cotterman, and Bob Sannes. We are grateful to all the local office directors, supervisors, and case workers in Indiana's 92 counties for their continuing commitment to the evaluation, and we especially appreciate the time and insights contributed by staff in the process study counties: Clark, Lake, Madison, Marion, Miami, St. Joseph, Vigo, and Wabash.

We are grateful to the U. S. Department of Health and Human Services for their financial support of this evaluation, and to Howard Rolston and his staff at the Administration for Children and Families for their help with the evaluation design and comments on this and previous reports.

At Abt Associates, we thank Joy Behrens for her keen editing and good advice, and Wendy Davis for her graphics expertise and skillful preparation of the final manuscript. At the Urban Institute, we thank Carolyn O'Brien and Britta Iwen for their significant role in conducting the local welfare office survey.

EXECUTIVE SUMMARY

In May 1995, Indiana became one of the first states to implement a statewide welfare reform including many of the provisions now in wide national currency—a "Work First" approach, time limits on adults' eligibility for cash assistance, a social contract, sanctions for failure to meet parenting responsibilities, and a cap on assistance to children conceived on welfare. The goals of the program—developed under the administration of Governor Evan Bayh and continued under the current Governor, Frank O'Bannon—are to increase clients' employment, decrease reliance on welfare and increase self-sufficiency, make work more financially rewarding than public assistance, encourage responsible parenting, and develop working partnerships with local government and businesses.

As a condition for receiving federal waivers then needed to change the State's Aid to Families with Dependent Children (AFDC) program, the Indiana Family and Social Services Administration (FSSA) agreed to conduct a rigorous evaluation of the implementation, impacts, and cost-effectiveness of its reform. Abt Associates Inc., in partnership with the Urban Institute and Indiana University, began work on the evaluation in December 1995. After passage of federal welfare reform legislation—the Personal Responsibility and Work Opportunities Reconciliation Act of 1996—the evaluation was no longer federally mandated; however, the State of Indiana chose to continue the evaluation. This report summarizes findings on the program's implementation and impacts on economic outcomes based on two years of follow-up for families that entered the demonstration in the first year of the new program. Later reports will assess impacts over a longer follow-up interval and wider array of outcomes.

National interest in Indiana's reform was provoked when the State registered the largest AFDC caseload decline in the country—38 percent—from January 1994 to December 1996. High fractions of welfare recipients also went to work: during the first two years after they became subject to welfare reform, 79 percent obtained employment. At the same time, Indiana's economy was booming, and rapidly declining unemployment rates fueled speculation that the welfare outcomes might have more to do with the State's economy than with its welfare reform.

Findings in this report confirm that welfare reform did contribute to increases in work and decreases in welfare receipt in Indiana, generating moderate gains in participants' earnings and reductions in welfare payments. These impacts were limited to those clients to whom the State initially targeted its most intensive policies—those who were job-ready and did not have very young (under age three) children. The program's full impacts may have been somewhat larger than those reported here, as the experiment was designed to capture only those reform provisions requiring waivers. Results showing increased earnings and decreased welfare payments suggest that welfare reform encouraged some clients to take steps toward financial independence. Nevertheless, in spite of the program's accomplishments, the majority of adults in the program were not earning enough at the end of the two-year follow-up period to move their families above the federal poverty line. Future analyses will assess whether impacts intensified once clients began reaching Indiana's two-year time limits, and whether impacts broadened with expansion of policies to less job-ready clients and those with younger children after mid-1997.

WELFARE REFORM IN INDIANA

An understanding of how Indiana's welfare reform was implemented is essential to interpreting its impacts. The following sections summarize findings on implementation from the evaluation's process study.

The State's Employment and Training Program Shifted to a Work First Model.

Evidence from the evaluation's process study suggests a key success was the shift to a vigorous "Work First" service approach from an education and job training-based model. The Work First approach seeks to place clients in jobs as quickly as possible, regardless of the nature or compensation of the work. The motivation behind Work First is that work, in any job, provides experience and that, once recipients are employed, they will be in a better position to advance to better jobs.

Indiana accomplished this shift through several channels. First, the State made several basic changes in services available through the Indiana Manpower Placement and Comprehensive Training (IMPACT) program[1]: increasing funding for—and participation in—job search/job readiness activities while reducing the emphasis on education and training; linking payments to desired performance outcomes (for example, job placements) in service contracts; and expanding local discretion in contracting decisions. Second, Indiana expanded exposure to the IMPACT program and Work First message among welfare recipients by requiring all mandatory clients to be formally assessed for "job-readiness," and then assigning those found job-ready to a separate track subject to

[1] IMPACT was Indiana's Job Opportunities and Basic Skills Training (JOBS) program until federal welfare reform legislation abolished JOBS in 1996.

a special set of policies designed to strengthen work incentives.[2] Third, FSSA Central Office leadership established monthly job placement goals for each county, communicated that local office directors' performance evaluations would be based on achievement of these goals, and carefully monitored counties' progress.

Local office administrators and front-line staff consistently told evaluation interviewers that office culture had been substantially altered by these changes and were largely supportive of policies designed to decrease dependency and increase employment and self-reliance. Local staff credited, among other things, the establishment of job placement goals and increased local contracting authority as key factors in cultural change. In a statewide survey of local office directors in Summer 1997, the vast majority of respondents indicated that local office staff had shifted their focus towards welfare reform goals. Ninety four (94) percent of local office directors indicated that there had been a "significant" (49 percent) or "moderate" (45 percent) shift in focus of eligibility caseworkers toward personal responsibility features. The shift in focus of IMPACT caseworkers, called family case coordinators, toward Work First was even more pronounced—85 percent noted a "significant" shift in focus, and 12 percent noted a "moderate" shift.

Visits to eight counties and a mail survey of local office administrators statewide suggest implementation of several other components of work services was less successful, namely: case management, school attendance, and "enhanced intake." Local IMPACT workers reported new workload demands meant they had less, not more, time to work with individual clients under the new reform. The quality of implementation and enforcement of school attendance provisions varied substantially across counties visited. Finally, site visits suggested an enhanced intake process intended to promote alternatives to welfare during the application period generally was not implemented.

Analysis of a sample of clients referred to IMPACT in May 1996 in Marion and Scott Counties points to strong enforcement of mandatory participation.[3] One year after referral, only 7 percent of the group had received welfare for most of the year and had not been assigned to an activity, sanctioned, or employed at some point. Thus, although only 32 percent received an IMPACT assignment, substantial employment, sanctioning, and case closures account for the vast majority of those who did not.

---

[2] During the first phase of its reform (through June 1997), Indiana continued to grant IMPACT exemptions to single parents with children under age three and most other clients who met federal JOBS program exemptions.

[3] This analysis was done by the Urban Institute for the U.S. Department of Health and Human Services as part of a study of Work First strategies. See Pamela Holcomb *et al.*, *Building an Employment Focused Welfare System: Work First and Other Work-Oriented Strategies in Five States* (Washington, D.C.: U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 1998).

Statistics on patterns of IMPACT participation *for those clients who received an IMPACT assignment* confirm staff reports of a shift to Work First. In 1994, the majority of IMPACT participants were assigned to education activities, with a much smaller fraction assigned to work activities (mainly job search/readiness). By May 1996, one year after the demonstration began, the situation had reversed, with a much smaller proportion of clients assigned to education than to job search.

Indiana Implemented a Two-Track Service Model for More and Less Job-Ready Clients.

One of the most distinctive features of Indiana's initial welfare reform model was its establishment of very different policies for clients who were and were not determined to be "job-ready." IMPACT family case coordinators (FCCs) used a new uniform assessment tool to score each mandatory client's job readiness. Factors determining the scores included work experience, education and training, family problems, and social supports—with work experience weighted most heavily. FCCs assigned clients with scores above a specified threshold to a "Placement Track," where they were subject to a special set of policies and expectations aimed at rapid job entry.[4]

Policies unique to the Placement Track included: requiring up-front job search and at least 20 hours of work activity participation weekly; stricter sanctions for non-participation and the addition of sanctions for voluntarily quitting a job without good cause; a 24-month lifetime time limit on *adults*' eligibility for cash assistance; and incentives designed to support work.[5]

Clients who scored below the job-readiness threshold were assigned to a "Basic Track." This group was allowed to meet its 20-hour weekly IMPACT participation requirement through education and training activities with minimal up-front job search, and was not subject to other special policies.[6]

Statistics reveal that the assessment generated groups whose characteristics were markedly different. For example, clients in the Placement Track were substantially more likely to have

[4] Of 19,311 assessed clients in the first year of the demonstration (May 1995 to April 1996), 62 percent were assigned to the Placement Track and 38 percent were assigned to the Basic Track. During the first year, only 59 percent of mandatory clients were assessed: due to lengthy backlogs early in the program, many clients left welfare or became exempt before they could be assessed. Since mandatory clients were 54 percent of the overall caseload, the 62 percent of assessed clients assigned to the Placement Track represented only 20 percent of the 60,908 adults subject to welfare reform rules in the program's first year.

[5] Financial incentives included: (1) a "zero-grant" provision that extended eligibility for supportive services after increased earnings resulted in a zero AFDC grant payment, and (2) a "fixed grant" provision that disregarded earnings *increases* beyond initial earnings against the grant. Indiana did not adopt "earnings disregards" such as those used in many other states.

[6] Clients in the Basic Track were to be re-assessed every twelve months, or upon job entry.

completed 12 or more years of school (76 percent) and to have worked in the six months before random assignment (49 percent) than those in the Basic Track (39 percent and 35 percent, respectively). Members of the Placement Track also were less likely to be nonwhite (38 percent) and living in highly urbanized areas (31 percent) than members of the Basic Track (46 percent and 47 percent, respectively).

In the IMPACT program, Placement Track members were substantially more likely to have received assignments to work activities (51 percent) by May 1997 than Basic Track members (29 percent), although the two groups experienced similar rates of assignment to education and training activities (28 and 25 percent, respectively).[7] The two groups were equally likely to receive sanctions for noncompliance.[8]

Some Signs Suggest Time Limits' Influence on Behavior Will Grow.

One year into the reform (in May 1996), interviewers found local staff widely skeptical that Indiana's 24-month time limit for adults would increase efforts to become self-sufficient. Staff reported that time limits seemed remote to recipients who typically faced far more pressing day-to-day problems; that removal of only the adult's (rather than the entire family's) eligibility on reaching the limit was not a strong motivator; and that some clients reported skepticism about the State carrying through with enforcement when the time came. Both eligibility and IMPACT workers reported that they informed their clients about the policy, but generally did not give it as much emphasis as some other reform provisions.

Results of an early 1997 telephone survey suggest that word about time limits did reach most clients. A large majority (83 percent) of recipients (and former recipients) in the Placement Track said that someone from the welfare office had told them that they only would be eligible for two years of cash benefits. On the other hand, a sizeable majority (68 percent) from the Basic Track—who were not subject to the 24-month limit—also said they had been told they were subject to the 24-

[7] Some clients received assignments to both work activities and education and training activities, and a substantial proportion of Placement and Basic Track clients were not assigned to any activity by May 1997.

[8] Statewide administrative data on sanctions were not available at the time this report was prepared. Among respondents to an early 1997 survey of 1,593 current and former recipients, 19 percent of those in the Placement Track and 22 percent of those in the Basic Track reported they had received IMPACT sanctions. IMPACT sanctions for the Placement Track were imposed for minimum durations of 2, 12, and 36 months upon a first, second, and third offense, respectively. In contrast, sanctions for clients in the Basic Track (and those who were randomly assigned to the Traditional Welfare group for evaluation purposes) are lifted immediately upon compliance (that is, no minimum duration) and otherwise last only up to three and six months upon a second or third offense, respectively. Both kinds of sanction resulted in the adult's loss of eligibility for both cash assistance and Medicaid for the duration of the sanction.

month limits. This finding reinforces reports from other states of widespread confusion about the details of time limits.[9]

Local office directors had a different view: 74 percent of those responding to a statewide mail survey in summer 1997 cited time limits as a major contributor to increased work effort. This difference in perceptions of the time limit may be because the first clients were beginning to reach the 24-month limit at that time or because, effective October 1996, Indiana had adopted the federal full-family, five-year time limit in addition to its own 24-month limit for adults. Or, it may be that local office directors believe time limits are more influential than front-line staff believe the limits are.

By December 1997, the State had imposed grant reductions for 978 families who had reached the 24-month point.[10] Preliminary descriptive analyses show that total cash payments to these families fell by 43 percent in the ensuing three months, partly due to removal of the adult's portion of the grant and partly because some left assistance entirely. Case closure rates also appear to have accelerated among families reaching time limits, suggesting that reaching the limit may have led some families to leave TANF sooner than they would have without the adult time limit.

Indiana Implemented Personal Responsibility Agreements (PRAs), but the Program's Emphasis on Parenting Responsibilities Was Not as Forceful as its Emphasis on Work.

A year after the reform began, the agency had successfully integrated the PRA into the eligibility intake process. Staff reported few problems meeting the added paperwork requirements associated with signing the form or using new supports in the automated system to record compliance and/or noncompliance with PRA provisions. However, May 1996 site visits found many workers were not spending substantial time emphasizing the PRA. Initial discussion of the form often was perfunctory, and the quality of subsequent follow-up varied substantially with the specific provisions.

Of the PRA provisions, implementation seems to have been strongest for the *immunization requirement*, likely because it enjoyed strong support from staff and was fairly easy to document, and because services were widely available. On the other hand, local staff reported substantial difficulties in establishing systems for monitoring and enforcing the *school attendance provision* in the face of varying attendance policies across school districts, and noted that they had received relatively little guidance on reconciliation procedures from the Central Office.

---

[9] See Dan Bloom and David Butler, *Implementing Time-Limited Welfare: Early Experiences in Three States* (New York, N.Y.: Manpower Demonstration Research Corporation, 1995) and David Fein and Jennifer Karweit, *The Early Impacts of Delaware's A Better Chance Program* (Bethesda, MD: Abt Associates Inc., 1997).

[10] By December 1997, only two extensions to time limits had been requested.

Although staff generally reported they were informing clients about the *family cap*, they expressed substantial reservations about both the need for and efficacy of this provision. Further, most staff noted that they did not regularly discuss family planning services and a number were uncertain whether doing so was an appropriate, or even allowable, part of their job.[11] Staff ambivalence towards the family cap had little bearing on the provision's enforcement, since it was applied automatically by the computer system. By December 1997, 3,418 children in 3,285 active assistance groups (eight percent of the caseload) were ineligible due to the family cap policy.

The variability in implementation of PRA-related provisions is reflected in the impressions they made on clients. By early 1997, only 68 percent of clients first subject to the PRA during the first year of Indiana's reform could recall having signed the PRA, although administrative records consistently show very high rates (over 90 percent) of compliance. Although 80 percent of clients with young children said they had been told about the immunization requirement, only 28 percent of those with school-aged children recalled being told about the school attendance requirement. An intermediate percentage—55 percent—acknowledged having been told about the family cap.

Given the passage of time between the events in question and the survey interview (which occurred after many had left welfare), these statistics do not necessarily indicate that workers were not communicating the requirements to these clients.[12] The statistics do strongly suggest that penetration of the message was quite variable across PRA provisions, however.

IMPACTS AND RELATED FINDINGS

The evaluation is using a classical experimental design to assess the degree to which Indiana's reform has improved outcomes for welfare recipients. This design randomly assigns every family to either a "Welfare Reform group" or a "Traditional Welfare group" at the point they first would be subject to welfare reform ("demonstration enrollment").[13] Families in the Welfare Reform group are fully subject to the new provisions of welfare reform, whereas those in the Traditional Welfare group remain under the pre-reform policies. Program impacts are estimated by calculating the difference between average outcomes for the two groups over time. This difference can be confidently attributed to the program, since the two groups contain the same kinds of people and experience the same social and environmental conditions.

---

[11] Indiana's original federal waivers required, in conjunction with the family cap provision, that the State offer clients help in finding family planning services at the time of intake or redetermination.

[12] The survey occurred on average 17 months after recipients had enrolled in the demonstration.

[13] Usually, the first office visit for eligibility (re)determination after May 1995.

The analysis measures impacts for statewide random samples of families assigned during the first eight months (May 1995 through December 1995) of the program to the Welfare Reform (14,836 families) and Traditional Welfare (2,841 families) groups. Key economic outcomes were measured for 24 months following demonstration enrollment, including monthly TANF and food stamps eligibility and payments (using data from the Indiana Client Eligibility System, ICES) and quarterly employment and earnings (using data from Unemployment Insurance system wage records). A survey of 1,593 clients conducted at the end of the first year of follow-up also collected more detailed information on work and welfare experiences.

Because the experiment was not designed to assess the effects of several potential reform influences, the impact estimates capture only part of the impacts of Indiana's welfare program. The State began emphasizing a Work First message to AFDC recipients in January 1995, five months before random assignment began. Although this was a change in emphasis more than policy, it may have had some effect on clients' behavior that was not captured by the random assignment design. Second, although ICES strictly enforced the embargo on application of key waiver provisions (for example, PRA sanctions, exposure to the two-track system, time limits), many Traditional Welfare group members may nonetheless have believed they were subject to these provisions.[14] Finally, the impacts exclude any influence the reform may have had on eligible families' initial decisions to apply for welfare (through what they may have heard from friends, family, or the media). Although results do not necessarily capture the entire influence of Indiana's reform, they do nonetheless represent important differences in welfare reform exposure and as such have substantial relevance to policy.[15]

[14] A substantial fraction of survey respondents in the Traditional Welfare group indicated that "someone in the welfare office" had told them they were subject to one or more of the new requirements. For example, 53 percent said they had signed the PRA, 36 percent said they had been told about the family cap, and 43 percent (of IMPACT-mandatory clients) said they had been told they were subject to a two-year time limit. Substantially larger proportions of Welfare Reform group members reported exposure to these provisions: 68 percent, 55 percent, and 69 percent, respectively. Given that respondents actually received information about the reform from many places and may not have remembered the details of their office visits very clearly, responses from either group cannot be taken as accurate reflections of what clients actually did or were told. The general impression these statistics convey is that the demonstration achieved a substantial—though far from perfect—distinction in perceived exposure to key waiver provisions. It should be re-emphasized that, perceptions notwithstanding, the actual prohibitions against imposing PRA sanctions, the family cap, and time limits on theTraditional Welfare group all were strictly enforced by ICES throughout the follow-up period.

[15] An important measure of what is captured by the random assignment design is differences in employment and training participation between the Welfare Reform and Traditional Welfare groups. Thirty-five (35) percent of IMPACT-mandatory clients randomly assigned to the Welfare Reform group and 26 percent of those assigned to the Traditional Welfare group in the first year of the reform had received at least one IMPACT assignment by May 1997. The difference between the two groups is larger for the percent receiving assignments to work activities (27 and 19 percent, respectively) than the percent with assignments to education or training activities (18 and 15 percent). Automatic IMPACT referral, the new assessment policies, and a greater emphasis on work activities for Placement Track members likely contributed to these differences. For those Welfare Reform group members who actually received a Placement-Basic Track classification (59 percent of all mandatory clients), the percentages ever assigned were substantially higher. Sixty (60) percent of those in the Placement, and 41 percent of clients in the Basic Track received

Many Recipients Subject to the Indiana Reform Worked and Many Left Welfare Over the Two-Year Follow-Up Period.

Over the two-year follow-up horizon, very high fractions of adults subject to Indiana's welfare reform took jobs and left welfare. Nearly four in five adult recipients (79 percent) worked at some point during the two-year follow-up period, and 85 percent left welfare for at least two months during the follow-up period. Comparisons with welfare recipients in strong economies elsewhere suggest that Indiana's employment and welfare exit rates have been unusually high.[16]

Although clients assessed as job-ready were somewhat more likely to have worked (82 percent) than the caseload on the whole, high fractions of IMPACT-mandatory clients assessed as not job-ready (76 percent) and exempt clients (77 percent) also worked. The statistic for IMPACT-exempt clients may in part be an indication of the strength of Indiana's economy during the follow-up period, since practically none of these recipients received work services through the welfare agency.[17]

Welfare Reform Contributed to Increases in Employment and Decreases in Welfare in Indiana. Impacts Were Concentrated Among Job-Ready Recipients Without Young Children.

Comparing outcomes for randomly-assigned Welfare Reform and Traditional Welfare groups clearly establishes that Indiana's reform was responsible for a portion of the observed movement towards self-sufficiency. Across the caseload, average total earnings were five percent greater and TANF payments were seven percent lower than they would have been absent the reform over the two-year follow-up period (see last column of Exhibit ES.1).

IMPACT assignments.

[16] For example, recent reports from the National Evaluation of Welfare-to-Work Strategies have reported two-year rates of ever employment for varying sites ranging from 59 percent (Atlanta) to 74 percent (Grand Rapids). See Gayle Hamilton *et al., Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capital Development Programs in Three Sites* (Washington, D.C.: U.S. Department of Health and Human Services and U.S. Department of Education, 1997) and Susan Scrivener *et al., Evaluating Two Welfare-to-Work Program Approaches: Implementation, Participation Patterns, Costs and Two-Year Impacts of the Portland (Oregon) Welfare-to-Work Program* (Washington, D.C.: U.S. Department of Health and Human Services and U.S. Department of Education, 1998).

[17] Although suggestive of a strong economy, these statistics alone cannot rule out an influence for welfare reform, since clients who were exempt from IMPACT or mandatory and found not job-ready still could have been spurred to work by their caseworkers or by what they heard about welfare reform through friends, the media, and other channels.

Impacts were substantially larger than this among job-ready clients without young children—that is, families assigned to the Placement Track. For such clients, total earnings were 17 percent greater and TANF payments were 20 percent lower than among members of the comparison group (see bottom panel of Exhibit ES.1). On average, the Welfare Reform group received $1,374 more in earnings, $582 less in TANF payments, and $497 less in food stamps than the comparison group over the two-year follow-up period. Proportionate impacts on the number of quarters with employment are nearly as large as those for average total earnings, suggesting that the latter derived more from an increase in the number of people working than increases in hours worked or wages received by those who worked.

Anecdotal evidence suggests that both positive responses to work services and negative reactions to new requirements and penalties underlie the observed impacts. In a small mail survey conducted in December 1996, 26 percent of respondents whose cases had closed (69 of 266 respondents) said their exits were influenced by welfare reform. When asked to check items from a list of possible reasons, a high fraction of the 69 clients said welfare reform "helped me to find a job" (44 percent) or "helped me to feel I could succeed on my own" (45 percent). However, high proportions also indicated they left because their "welfare check was reduced because of a new rule" (59 percent) or because they "wanted to avoid new welfare requirements" (31 percent).

There is little evidence of statistically significant impacts for IMPACT-mandatory clients who were not job-ready or for clients who were exempt from IMPACT (mostly for care of a child under age three). As noted previously, clients who were not job-ready (and assigned to the Basic Track) were less likely than those in the Placement Track to receive job placement services and were not subject to the 24-month time limit, strengthened sanctions, or the zero-grant and fixed-grant provisions of Indiana's reform. Clients who were exempt from employment and training rarely received IMPACT services, although they were subject to parenting responsibility provisions specified in the Personal Responsibility Agreement.

Exhibit ES.1
Summary of Two-Year Impact Findings for All Clients and Clients Assessed as Job-Ready Without Young Children

Sample and Outcome	(1) Welfare Reform Group	(2) Traditional Welfare Group	(3) Impact (1)-(2)	(4) Percent Impact [(3)/(2)]*100
All Clients				
Average Total Earnings				
Year 1	$3,010	$2,820	$190***	6.7
Year 2	4,334	4,147	187**	4.5
Years 1-2	7,344	6,967	377**	5.4
Average Number of Quarters with Employment Years 1-2	3.9	3.7	0.2***	5.4
Average Total AFDC/TANF Payments				
Year 1	$1,752	$1,840	$-88***	-4.8
Year 2	980	1,082	-102***	-9.4
Years 1-2	2,732	2,923	-191***	-6.5
Average Number of Months with AFDC/TANF Payments Years 1-2	10.1	10.5	-0.4**	-3.8
Average Total Food Stamp Payments				
Year 1	$1,927	$1,985	$-58*	-2.9
Year 2	1,449	1,488	-39	-2.6
Years 1-2	3,376	3,473	-97**	-2.8
Average Number of Months with Food Stamps Payments Years 1-2	12.3	12.7	-0.4***	-3.1
Sample Size	14,836	2,841		

(Continued)

Exhibit ES.1 *(Continued)*
Summary of Two-Year Impact Findings for All Clients and Clients Assessed as Job-Ready Without Young Children

Sample and Outcome	(1) Welfare Reform Group	(2) Traditional Welfare Group	(3) Impact (1)-(2)	(4) Percent Impact [(3)/(2)]*100
Job-Ready Clients Without Young Children				
Average Total Earnings				
Year 1	$3,954	$3,139	$815***	26.0
Year 2	5,503	4,944	559**	11.3
Years 1-2	9,457	8,083	1,374***	17.0
Average Number of Quarters with Employment Years 1-2	4.4	3.9	0.5***	12.8
Average Total AFDC/TANF Payments				
Year 1	$1,560	$1,879	$-319***	-17.0
Year 2	779	1,043	-264***	-25.3
Years 1-2	2,339	2,921	-582***	-19.9
Average Number of Months with AFDC/TANF Payments Years 1-2	9.0	10.6	-1.6***	-15.1
Average Total Food Stamp Payments				
Year 1	$1,843	$2,121	$-278***	-13.1
Year 2	1,297	1,516	-219***	-14..4
Years 1-2	3,140	3,637	-497***	-13.7
Average Number of Months with Food Stamps Payments Years 1-2	11.8	13.4	-1.6***	-11.9
Sample Size	4,537	1,059		

DATA SOURCES: Indiana Unemployment Insurance earnings records and administrative records from the Indiana Client Eligibility System.

NOTES:
1. “Young Children” is defined as children under age three.
2. Due to the approach used to estimate impacts for this subgroup (see Appendix), sample sizes in this exhibit should not be used to estimate the proportion of the total population in the Placement Track (see footnote 4).
3. A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

That impacts were limited to job-ready clients without young children could mean either that the Placement Track policies were more effective or that the characteristics of such clients predisposed them to respond well to services. The expansion of Placement Track policies to former Basic Track clients and a significant number of formerly exempt clients after June 1997 will provide the basis for future assessment of the two explanations.

Impact Patterns Suggests Employment Impacts Derive from More Rapid Job Entry.

The size of impacts on work and, to a lesser degree, welfare receipt diminished over the eight observed follow-up quarters for the Placement Track. By the eighth follow-up quarter, employment rates for the Traditional Welfare group had "caught up" with rates for the Welfare Reform group. Such a pattern has been observed in a number of other random assignment studies of welfare-to-work programs emphasizing immediate job placement. One interpretation is that such programs mostly accelerate job entry for clients who eventually would have gone to work on their own, and that the comparison group reflects this inevitability. It also is possible that Work First programs are more successful in providing an initial boost to employment than in helping clients to maintain employment once they are working.

The Zero-Grant Policy Dampened Impacts on TANF Eligibility and Slightly Increased the Accumulation of Time on Lifetime Assistance Clocks.

The zero-grant policy allowed working Placement Track members to remain eligible for TANF-related services (for example, case management and supportive services) after earnings reduced their TANF payments to zero, until they reached the poverty line. For this reason, impacts might be expected to be smaller for the percent remaining eligible than for the percent actually receiving payments. The results bear this out, indicating eligibility impacts about half the size of payment receipt impacts. Put in other terms, without the zero-grant policy, Welfare Reform group members would have averaged about one fewer month of eligibility.[18] The findings therefore suggest the policy provided continuing support to some families who would not have qualified for it under the traditional program rules.[19] On the other hand, time limits continued to apply to zero-grant

[18] The calculation on which this statistic is based assumes, for illustrative purposes, that removing the zero-grant policy would not change the amount of earnings the Welfare Reform group received. The additional .9 month of eligibility due to the zero-grant policy represents a 9.1 percent increase in the average number of months of eligibility for Placement Track members (for whom the observed average was 10.0 months).

[19] The additional benefits must be regarded as "potential" at this point, because data on service receipt for zero-grant cases are not available.

recipients, implying that the policy was causing some working clients to run up time against their lifetime limits faster than they would have otherwise.

Maintaining Employment Remains a Substantial Challenge for Most Recipients Who Go to Work.

Although nearly four in five members of the Welfare Reform group held a job sometime during the two-year follow-up period, only half were working in the eighth follow-up quarter. This comparison actually understates total job loss, since many of those with jobs in the eighth quarter already had left earlier jobs. Of first jobs begun during the follow-up period, data from an early-1997 follow-up survey reveal that one third had ended within three months, half within six months and three quarters within fifteen months. Patterns of welfare recidivism mirror those of job loss: of families returning to welfare within 24 months of their first observed exit (38 percent of exiters), 68 percent did so within the first six months after exiting.

Leaving a job can signal positive change when it is voluntary and leads to a better position. Close to three-fourths of survey respondents said they had left their first job voluntarily, and only about one fourth said they had been either laid off or fired.[20] However, of those who quit, only 17 percent said the main reason was to take another job. The remainder cited less positive reasons for leaving jobs, including difficulties with child care arrangements and a miscellany of unsatisfactory aspects of jobs (for example, low salary/benefits, work schedule, problems with boss or co-workers).

When asked more generally to indicate conditions limiting their ability to perform work or training, survey respondents cited lack of adequate child care (41 percent) and transportation (39 percent) most frequently.[21] A substantial fraction (22 percent) also cited a health problem or disability as a limiting condition. The need for individualized case management to help clients address employment barriers is underscored by the finding that 74 percent of clients reported facing at least one barrier and 43 percent indicated they faced multiple barriers.

[20] Voluntary job leavers include those who quit (52 percent of job leavers) and those who reported leaving for some other reason (21 percent). Seventeen (17) percent of clients reported being laid off, and ten percent said they were fired.

[21] Specifically, interviewers read all survey respondents a list of potential barriers, and asked whether any of the barriers limited respondents' ability to work at a job as of their month of random assignment.

Welfare Reform Increased the Share of Income from Earnings, but Not Average Total Income.

Decreasing reliance on public assistance and increasing self-sufficiency are central goals of Indiana's welfare reform. The impacts suggest the reform stimulated some movement in this direction among job-ready clients without young children. For such clients, the proportion of income from earnings over the two-year follow-up period was higher for the Welfare Reform group (48 percent) than for the Traditional Welfare group (41 percent).[22]

The program did not generate higher average total income, however, because higher average earnings for the Welfare Reform group were offset by lower average TANF and food stamp payments (see Exhibit ES.1). The net effect was that average annual income over the two-year follow-up period for job-ready clients in the Welfare Reform group ($7,469) was not significantly higher than that for the Traditional Welfare ($7,320) group. The findings show no program impacts on poverty—close to four in five families in both groups remained below the poverty line for a family of three in the second follow-up year.

Clearly, substantially greater earnings would be needed to boost a significant fraction of families above poverty. One impediment already has been identified—continuing weak labor force attachment following the first job placement. Another key fact is that the jobs held by members of the Welfare Reform group frequently provide low pay and no benefits. Survey data indicate a median hourly wage of only $6.00 for respondents' current or most recent jobs, with only 15 percent earning $8.00 or more. Furthermore, many of these jobs are part-time, and even full-time jobs often do not offer affordable health insurance benefits.

CONCLUSIONS

During its first two years, Indiana's welfare reform generated moderate increases in earnings and decreases in welfare reliance among those clients who were subject to the full array of reform provisions. An assessment of the reform's implementation strongly implicates more intensive work participation requirements as the main source of these impacts. The reform's full impacts likely exceeded the magnitudes of the estimates reported here, since some influences were not captured by the experimental design. However large the full impacts, it is clear that the economic circumstances of families subject to the reform remain very tenuous.

[22] Income is measured here as the sum of earnings, TANF payments, and food stamp benefits.

The magnitude of welfare savings seems destined to grow as more recipients reach the 24-month time limit in the coming year. Whether reductions in cash assistance will be counterbalanced by increased earnings is a critical issue to be addressed by this evaluation in the future. The next impact report, scheduled for mid-2000, also will assess whether impacts occurred more broadly throughout the caseload in the wake of the State's June 1997 expansion of key policies to all adult participants except those with a child less than one year old (tougher sanctions, greater emphasis on job search, time limits), and whether the program affected other dimensions of child and family well-being.

A key message in the present findings is consistent with findings of other recent demonstrations testing the Work First approach to welfare reform. It is that such strategies may represent an important step, but are not in themselves enough, to move a substantial number of welfare recipients to true self-sufficiency. This recognition has impelled many states to invest substantial time and funds in building on the basic Work First framework.

Welfare officials in Indiana currently are planning a series of substantial enhancements in work services, and also are contemplating several other strategies for increasing family income. For example, the State plans to implement an up-front diversion component directed at helping applicants negotiate short-term hurdles without burdening them—or agency and service provider staff—with deeper involvement in the welfare system. To strengthen case management, FSSA recently has shifted staff from eligibility units to become IMPACT family case coordinators and will be providing training in assessing and addressing individualized needs. The State is substantially increasing child care and health insurance funding and access for low-income families. FSSA staff are assessing alternative approaches to providing job retention services through existing and, potentially, new service contracts. Agency managers also are exploring ways of fostering more placements in higher-quality jobs.

Indiana officials are considering additional strategies to increase the income of working families. These approaches include further strengthening child support enforcement and further promoting the federal Earned Income Tax Credit and the State's earned income tax deduction. Recognizing that education and special skills training may be the surest guarantee of financial self-sufficiency, the State is considering increasing emphasis on education and training services that are tied to employers' needs. Further, the State is broadening the target of its strategies from active welfare recipients to all low-income working families.

FSSA officials view Work First as only the beginning of their efforts and are actively engaged in developing the next phase of the reform. Indiana's welfare reform is still rapidly evolving. Future evaluation reports will continue to assess its emerging effects.

CHAPTER ONE

INTRODUCTION

In May 1995, Indiana launched a statewide overhaul of its main cash welfare program, then called Aid to Families with Dependent Children (AFDC). The reforms sought to increase families' economic self-sufficiency, promote the view that welfare should be a temporary form of assistance rather than a way of life, and encourage responsible parenting behaviors. The policies Indiana developed to further these goals—work requirements and incentives, time limits, and "personal responsibility" rules—resemble provisions in many other states' reforms. For this reason, a careful assessment of the Indiana initiative should yield insights of broad national interest.

This report provides interim findings from a comprehensive, six-year evaluation of the Indiana reform. Indiana's Family and Social Services Administration (FSSA) commissioned the assessment to meet the federal waiver requirement that states wishing to test innovative welfare reforms conduct rigorous, third-party evaluations of the implementation, impacts, and cost-effectiveness of their programs. Work on the evaluation began shortly after November 1995, when FSSA's Division of Family and Children (DFC) hired Abt Associates Inc. and the Urban Institute to conduct a random assignment evaluation.[1] After passage of the landmark Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA) in August 1996, the State decided to continue the study and is receiving special federal funds for this purpose.

The evaluation design has three principal components. The project's *process study* examines the implementation of the reform—assessing accomplishments and deficiencies statewide, as well as more intensively in certain counties. The *impact and benefit-cost studies* assess the effects of the reform on social and economic outcomes for families and determine whether the results were financially worthwhile.

This report presents interim findings of the process and impact studies,[2] covering approximately the first two years of welfare reform. Families began to be randomly assigned and registered in the evaluation sample in May 1995, and additional families will be added to the study through approximately the end of 1999 (see Exhibit 1.1). The interim impact analysis examines the

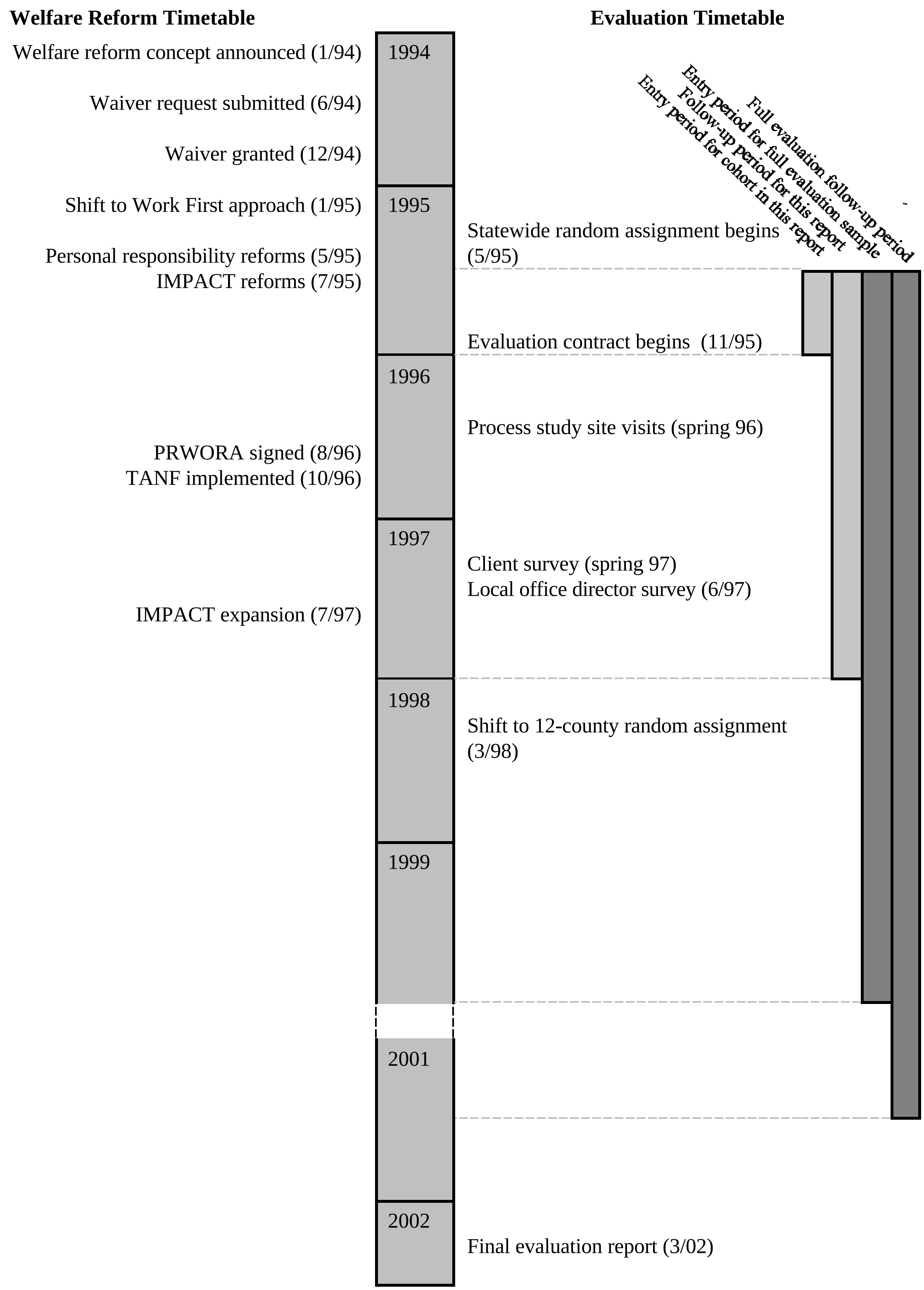
---

[1] Abt Associates Inc. has overall responsibility for the study as prime contractor. The Urban Institute is responsible mainly for the evaluation's process study, through a subcontract with Abt Associates. A member of the Indiana University faculty, Dr. Maureen Pirog, will be working with the team as a consultant in upcoming impact analyses.

[2] The first benefit-cost study results are planned to be reported in 2000.

Exhibit 1.1

Timetable for the Indiana Welfare Reform Initiative



experiences of those families who entered the evaluation sample in the first eight months of the demonstration, between May and December of 1995. The analysis follows each family for two years, so that families entering the demonstration at the end of 1995 are observed through the end of 1997. Information from the process study covers the same time period.

The study period for this report roughly corresponds to the first major phase of Indiana's welfare reform. As described in more detail below, in May and July of 1995 the State implemented the main policies covered in its waiver. These policies included personal responsibility requirements, a two-track employment and training program (called IMPACT), work incentives, and a time limit. The second welfare reform phase began in July 1997, when the policies were modified slightly and expanded to cover many more cases.

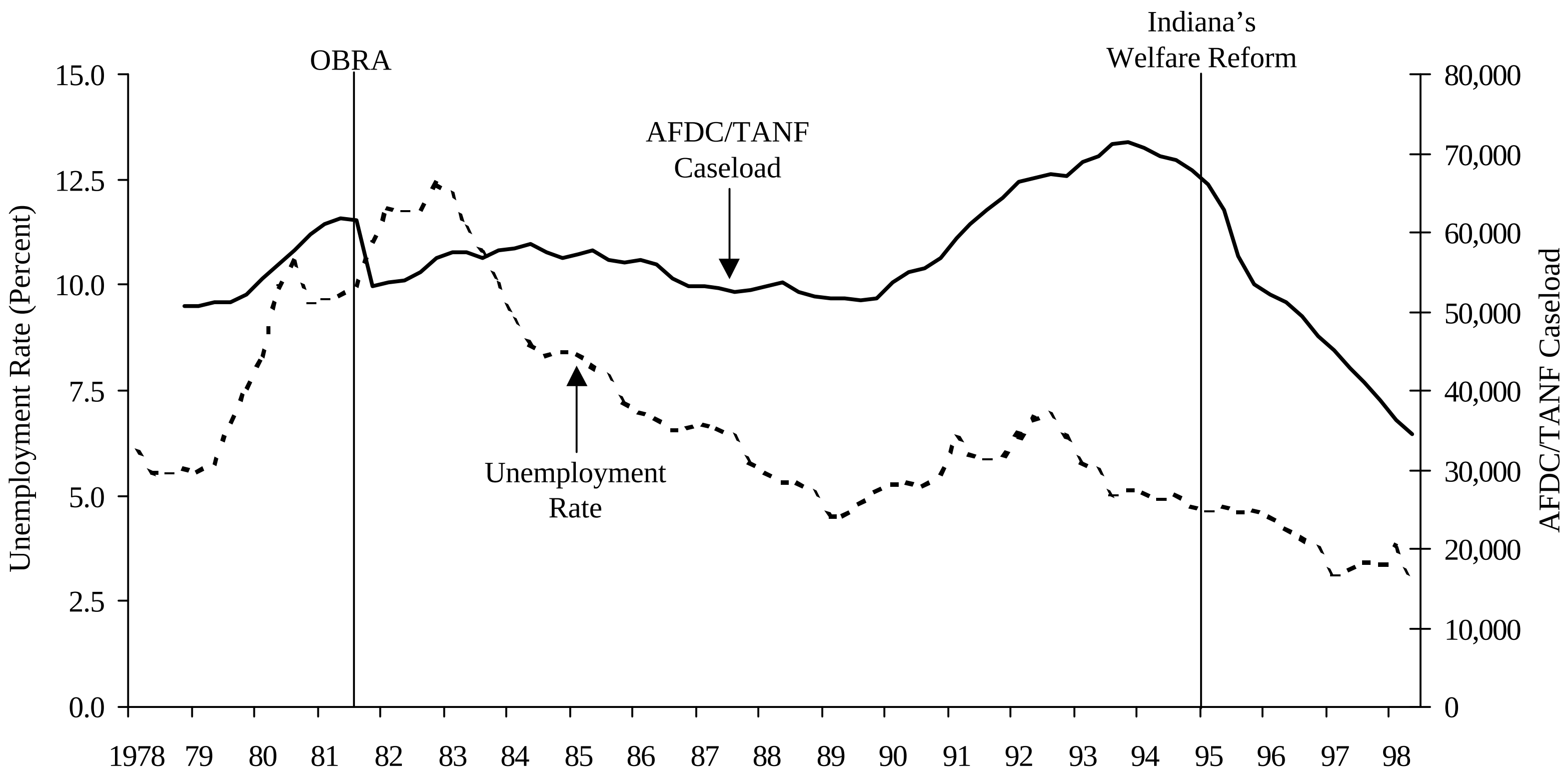
An exceptionally strong economy and a rapidly declining welfare caseload also characterized the 1995-1997 period. The Indiana unemployment rate peaked at 7.2 percent in February 1992, generally declined through the end of 1996, and hovered in the range of 3.3 percent in 1997 (see Exhibit 1.2). The Indiana welfare caseload peaked in September 1993 at nearly 72,000 cases, then declined sharply. For the three years 1994 through 1996, Indiana's caseload declined 38 percent, more than any other state. Since then the caseload has continued to fall, at somewhat less than the national average rate.[3]

This report presents early findings from the Indiana welfare reform evaluation. It provides (in Chapter 2) a review of implementation issues and experiences, based on interviews with administrative and program staff in eight local offices and a statewide survey of local welfare office directors. The report assesses (in Chapter 3) a wide array of statistics on the characteristics and welfare reform experiences of clients. It also offers (in Chapter 4) an analysis of welfare reform's impacts on economic outcomes during the program's first two years.

The remainder of this first chapter provides background on Indiana's welfare reform and the evaluation. It describes Indiana's welfare reform program (Section 1.1), summarizes the evaluation design (Section 1.2), and provides a brief overview of the report (Section 1.3).

[3] Between January 1997 and June 1998, the U.S. welfare caseload dropped by 26 percent, and Indiana's caseload fell by 17 percent. (Source: U.S. Department of Health and Human Services, Administration for Children and Families website, http://www.acf.dhhs.gov/news/case-fam.htm, September 1998.)

Exhibit 1.2
Trends in Indiana's AFDC/TANF Caseload and Unemployment Rate: 1978-1998



1.1 INDIANA'S WELFARE REFORM PROGRAM: PRINCIPLES AND EVOLUTION

Indiana's welfare reform program is a comprehensive initiative that made fundamental changes to the State's main cash assistance program (AFDC, now Temporary Assistance for Needy Families, or TANF). It also made dramatic changes to IMPACT (Indiana Manpower Placement and Comprehensive Training), the State's employment and training program for cash assistance recipients.[4] The goals of welfare reform in Indiana, as in other states, are:

- Increasing clients' employment;
- Decreasing reliance on welfare and increase self-sufficiency;
- Making work more financially rewarding than welfare;
- Encouraging responsible parenting; and
- Developing working partnerships with businesses and local government.

Spearheaded by Governor Bayh in 1994, and continued under the leadership of Governor O'Bannon, welfare reform in Indiana has evolved over time while still retaining its core philosophical underpinnings. After a brief overview of the history of Indiana's welfare reform, the key elements of the reform and the ways they have evolved are described.

As did all states that began welfare reform programs prior to the enactment of federal welfare reform legislation in 1996, Indiana had to obtain a welfare reform waiver from the federal government to implement many components of its welfare reform initiative. The U.S. Department of Health and Human Services (HHS) approved the State's welfare reform waiver request in December 1994, and the State implemented the demonstration in two phases. The first set of changes took effect on May 1, 1995, and the second set on July 1, 1995. Some important aspects of Indiana's welfare reform began even earlier, however, with the introduction of several philosophical and procedural changes that immediately followed waiver approval.

Beginning in January 1995, AFDC applicants were shown and informed about (but not required to sign) a draft copy of the State's social contract, the Personal Responsibility Agreement (PRA), which defined the major new obligations recipients would be expected to carry out after the State's welfare reform plan officially went into effect. In that same month, the State began a strong

[4] IMPACT was Indiana's Job Opportunities and Basic Skills Training (JOBS) program prior to the 1996 PRWORA.

shift in the philosophical and programmatic focus of the IMPACT program, from longer-term education and training activities to immediate job search and job placement. The welfare reform changes implemented on May 1, 1995 focused primarily on eligibility rules designed to promote personal responsibility (for example, immunization and school attendance requirements, a family cap). The second group of reforms—effective July 1, 1995—focused primarily on changes to the IMPACT program designed to promote employment and reduce dependency on welfare (for example, time limits).

In 1995, the State legislature acted to build upon and enhance then-Governor Bayh's welfare reform plan, and Indiana submitted a new waiver request to the federal government in November 1995. In August 1996, the federal government approved most of the State's requested amendments to the original waiver. In that same month, major federal welfare legislation—the Personal Responsibility and Work Opportunities Act—was signed into law. PRWORA replaced the AFDC cash assistance program and the federally mandated Job Opportunities and Basic Skills Training (JOBS) program, which provided employment and training services to AFDC recipients, with a single block grant called the Temporary Assistance for Needy Families (TANF) program.

The State's waiver and its amendments conformed closely to the new federal welfare reform provisions, and with this advantage Indiana became one of the first states to implement its TANF program. Under the leadership of Governor Bayh, Indiana officially implemented TANF on October 1, 1996, at which time the new federally mandated 60-month limit on cash assistance benefits went into effect. Most other major changes associated with the amended waiver provisions did not begin to be phased in until June 1997.

Indiana's welfare reform policies, described below, apply to more than 95 percent of the cases that have received AFDC or TANF at some point since Indiana's program began officially in May 1995. These cases are referred to in this report as the "Welfare Reform group." Because the evaluation is based on a random assignment design, a random sample of clients—slightly less than five percent of the cases active since May 1995—was assigned to a "Traditional Welfare group" that was not subject to most welfare reform policies. These two groups correspond respectively to what are often referred to in random assignment evaluations as the "treatment group" and the "control group." The terms "Welfare Reform group" and "Traditional Welfare group" are used to highlight the central comparison embodied in the evaluation, between welfare reform policies and traditional AFDC policies.

Reforms Designed to Move Clients into Jobs

At the heart of Indiana's welfare reform initiative lies a series of provisions designed to help move welfare clients into jobs. Blending "carrots" and "sticks," the provisions include:

- A *Work First* approach;
- A *two-track* system for employment-related services and requirements;
- Broader *mandatory participation* requirements;
- Strict *sanctions* for failure to participate;
- *Time-limited* welfare benefits;
- *Financial incentives* and supports for work; and
- A revised system for managing *child care* subsidies.

These provisions apply only to clients in the Welfare Reform group, with two exceptions. First, child care subsidies are made available to both Welfare Reform and Traditional Welfare families. Second, the Work First *message* probably permeated the Traditional Welfare group to some extent[5] (through caseworkers, other recipients, and the media), although the *policy changes* embodied in the Work First approach were applied more intensively to the Welfare Reform group.

Work First program focus. One of the most significant changes resulting from welfare reform was a shift in IMPACT program emphasis from education and training activities emphasizing long-term self-sufficiency to an approach termed "Work First." Work First is premised on the belief that work experience provides the best bridge to sustained employment. The approach relies on short-term activities (for example, job readiness and directed job search) to move recipients into jobs as quickly as possible. Indiana's Work First approach does not preclude education or training, but expects those who are able to work to seek and accept employment that can be secured with their existing education and skills. Education and training typically are permitted only in combination with work or work-preparation activities.

[5] The State began communicating a Work First message to AFDC recipients in January 1995, five months before random assignment began.

A two-track employment and training reform strategy. A distinctive feature of Indiana's welfare reform design during the first two years of implementation was the division of IMPACT-mandatory recipients in the Welfare Reform group into two categories, with different program rules for each group. Based on the results of a standardized client assessment, clients determined to be job-ready were assigned to a "Placement Track," and those found not job-ready were assigned to a "Basic Track."[6] As described more fully below, only Placement Track clients were subject to the time limit and stricter sanctions for noncompliance and provided special work incentives and supports.

Between July 1995 and June 1997, participation requirements varied depending on a client's track assignment. Placement Track clients were required to spend at least 20 hours a week in work or work-preparation activities (for example, job search/job readiness, community work experience). Education and training activities were still available to Placement Track clients, but only after they met the 20-hour work requirement. In contrast, clients assigned to the Basic Track also were subject to a 20-hour participation requirement but were permitted to meet this requirement by combining more work-related activities with education or training or both.

The Placement-Basic Track distinction was eliminated in June 1997. From that time on, most provisions formerly limited to Placement Track clients have been applied to all mandatory IMPACT clients.

For example, the more intensive Work First participation rules currently apply to all mandatory IMPACT clients, and the rules have been slightly modified in response to the new federal TANF work participation requirements. Effective July 1, 1997, the minimum level of participation for adult recipients in single parent families was raised from 20 hours to 25 hours a week, with the additional stipulation that not fewer than 20 hours per week are spent engaging in work activities that can be counted toward the TANF work participation rate.[7]

In addition to raising the minimum hours of required participation, Indiana's program restricts IMPACT clients' participation in vocational training in several ways. Specifically, clients may take part in vocational training only: (1) after completing a job search; (2) if they are also working or participating in community work experience; (3) if the training can be completed within 12 months;

---

[6] Mandatory clients in the Traditional Welfare group were not assessed or assigned to either the Placement or Basic Track.

[7] Effective October 1, 1999, adult recipients must participate a minimum of 30 hours per week, and at least twenty of these hours must be spent in allowable work activities. In order to meet the higher work participation rates required for two-parent families, adults in these families must participate at least a combined total of 35 hours per week with no fewer than 30 of those hours in spent in federally defined allowable work activities.

and (4) if the training results in no greater than an associates degree.[8] Overall participation in vocational training or education, including educational activities engaged in by teen parents, is limited to 30 percent of the IMPACT caseload.

The mandatory population. During the first two years of the reform, exemptions from IMPACT closely resembled the standard federal JOBS program exemptions. Able-bodied parents and caretakers with children over three years old generally were mandatory for IMPACT.[9] The focus during this initial period was on increasing participation and job placements among the existing mandatory IMPACT population, rather than expanding the proportion of the caseload requested to participate.

Since June 1997, the State has narrowed its exemption criteria, seeking to complement stricter participation requirements with greater program coverage. The most significant change concerns adult recipients with young children.[10] Prior to June 1997, a recipient caring for a child less than three years old qualified for exemption. In June 1997 the age threshold was lowered to children under two, and in December 1997 the threshold was lowered to one year old. Narrowing the IMPACT exemption in this way has substantially increased the proportion of the welfare caseload subject to employment and training participation.[11]

Stricter IMPACT sanctions. Under its original waiver design, Basic Track clients faced the standard JOBS sanction (that is, reduction of the adult portion of the grant during periods of noncompliance, and loss of the adult's eligibility for Medicaid) for failing to meet IMPACT participation requirements while Placement Track clients were subject to stricter sanctions. Following the elimination of the Basic-Placement Track distinction in June 1997, all mandatory IMPACT clients are now subject to the stricter sanction policy.

Under the sanction policy, the first occurrence of noncompliance results in the elimination of the adult portion of the cash assistance benefit for a minimum of two months, and the sanction

---

[8] Participation requirements for teen parents are somewhat different. Teen parents may meet the participation requirement by satisfactorily attending high school or GED classes (with no hour requirement attached to participation) or participating in Adult Basic Education or English as a Second Language for 20 hours per week.

[9] The State has continued to require participation in IMPACT for young parents under age 20 lacking a high school diploma or equivalent, regardless of the age of the youngest child. This policy was first introduced under JOBS.

[10] Effective June 1997, the categorical exemption of individuals with the existence of a physical or mental limitation was also eliminated. Only individuals "completely unable to work" as verified by a licensed physician or psychologist may now receive an exemption from IMPACT.

[11] In addition, parents with family cap children prior to June 1997 were not exempt from IMPACT, regardless of the age of the child. These families may now be granted an exemption if the family cap child is less than 12 weeks of age.

continues until the client complies. The sanction also entails loss of Medicaid eligibility for the adult. Minimum sanction durations increase steeply with successive occurrences of noncompliance: the third occurrence results in a penalty lasting at least 36 months. Since July 1997, the State requires IMPACT staff to try to provide employment and training services and supportive services to sanctioned clients.

Time-limited benefits. From July 1995 to June 1997, Indiana's 24-month time limit applied only to adults assigned to the Placement Track. The time limit was calculated as the number of calendar months elapsed since an individual was assigned to the Placement Track. That is, the "clock" started running immediately upon assignment to the Placement Track and did not stop, regardless of whether the client moved off and back on welfare over the course of the 24-month period. Upon reaching the time limit, the adult's portion of the grant was eliminated for 36 months (although the adult retained eligibility for Medicaid). Children whose parents reached the time limit could remain eligible to receive both cash assistance and Medicaid benefits.[12]

The State made several important changes to its time limit policy, effective June 1997:

- *All* mandatory IMPACT recipients—without distinction between Placement and Basic Tracks—are subject to the new time limit policies. This includes newly mandatory recipients, with children between the ages of one and three.

- The "clock" counts only months in which the mandatory IMPACT recipient receives TANF benefits. This contrasts with the previous policy of calculating the 24-month limit on the basis of consecutive months from initial receipt of benefits.

- The two-year time limit is a *lifetime* limit. Adults may no longer resume eligibility for benefits after a 36 month period.[13]

- Recipients may earn one month of TANF benefits for every six consecutive months during which they are employed full-time. No more than 24 months of eligibility can be retained at any one time. Recipients are entitled to an extension equal to the number of "earn-back" months if they formally request an extension.

---

[12] After 36 months of ineligibility, otherwise eligible adults could reapply for and resume receipt of benefits for another 24 months, at which point they would be ineligible for benefits for another 36-month period. Food stamp eligibility was not affected during periods of adult ineligibility for cash assistance. Extensions to the time limit were possible, but only in very limited circumstances. The adult's portion of the grant and Medicaid benefits could be restored for a six- month period if she or he participated in community work experience and engaged in job search.

[13] The lifetime limit applies not just to adults assigned to the Placement Track after June 1997, but also to adults assigned to the Placement Track before June 1997.

One important feature of Indiana's time limit that did not change is that it affects only the adult portion of the grant. Children whose parents reach the time limit remain eligible for financial assistance up to the national five-year limit. The State also continues to use the same extension policy as previously.

Financial work incentives and supports. Under the original welfare reform design, four changes from the normal AFDC rules were implemented to encourage work and "make work pay" for clients in the Placement Track:

- A "fixed-grant" provision allowed recipients to keep a greater share of their earnings and still receive the same level of cash assistance until either the recipient reached the time limit or the total level of family income exceeded the federal poverty line.

- Even if earnings were sufficient to reduce a Placement Track recipient's grant to zero (because the earnings exceeded the payment standard), the family remained technically eligible for cash assistance and hence allowed Medicaid, child care, and other supportive services.[14]

- The resource limit for Placement Track clients was raised from $1,000 to $1,500.

- The "100-hour rule," which denied eligibility for cash assistance to two-parent families who worked more than 100 hours per month, was waived for two-parent Placement Track families.[15]

As of June 1997, the State eliminated the fixed-grant policy, limited the $1,000 resource ceiling to applicants, and extended the other work incentives and supports noted above to all cases. In addition, the State has continued its original waiver policy of disregarding child support payments and earnings of all IMPACT participants as income for the purposes of determining food stamp eligibility and benefits for a 6-month period following job entry.

Child care. Because PRWORA consolidated three major sources of subsidized child care for welfare and low-income working families into a single block grant, the State altered the processing and management of child care payments for welfare recipients. Prior to April 1997, the Division of Family and Children (DFC) administered and processed child care payments for welfare recipients and those transitioning off welfare. Local Step Ahead Councils contracted with voucher agents to administer child care subsidies for other low-income families, including those deemed at risk

[14] As with the fixed-grant policy, this provision continued until clients reached their time limit or received income exceeding the federal poverty line.

[15] Indiana maintained the work history requirement for two-parent families.

of going on welfare because of the absence of child care assistance.[16] Since then, local voucher agents have assumed responsibility for the administration and management of all child care assistance, regardless of the family's welfare status. Unlike the other policy provisions discussed above, child care subsidies are made available to both Welfare Reform and Traditional Welfare families.

Reforms Designed to Promote Parental Responsibility

The second major thrust of the Indiana welfare reform is an effort to ensure that parents behave responsibly towards their families. The policies related to this effort are designed both to focus the recipient's attention on the desired behaviors and to provide specific penalties or remove potential incentives for irresponsible behavior. The key policies include:

- A *Personal Responsibility Agreement;*
- An *immunization* requirement;
- A *school attendance* requirement;
- A *family benefit cap;*
- Penalties for *failure to cooperate with child support enforcement*; and
- Restrictions on *minor parent living arrangements*;

With minor exceptions noted below, these policies applied only to the Welfare Reform group and not to the Traditional Welfare group. The content and evolution of each of these policies are outlined below.

Personal Responsibility Agreement (PRA). The intent of the State's new social contract with public assistance recipients—the PRA—is to define and enforce obligations on the part of both welfare recipients and the State. Clients are required to sign the PRA to acknowledge that they understand and will abide by its requirements. These requirements include obtaining necessary immunizations on a timely basis, ensuring school attendance, and having minor parents on assistance live at home or with a responsible adult. Failure to sign the agreement, without good cause, results in a fiscal sanction of $90 per month.

As of June 1997, the terms of the PRA were broadened to include requiring parents to provide a safe and secure home environment—one free of domestic violence, child abuse or neglect, and use of illegal drugs or other substance abuse. Adult recipient caretakers found using illegal drugs

[16] Step Ahead Councils are county-based planning groups established to increase the accessibility of services available to children in low-income families.

or abusing other substances must be referred for an assessment by a state-approved alcohol and drug addiction provider. If determined necessary, the individual will be required to comply with a treatment program or face a $90 monthly sanction. In cases of child abuse or neglect, compliance with a treatment plan (for example, counseling) must be monitored by local child welfare staff.

Immunizing young children. To help ensure that children's immunizations are up to date, recipients must submit proof at each scheduled eligibility redetermination that all children for whom they receive benefits have their standard childhood immunizations. If a recipient fails to provide such proof, the case is reviewed to determine whether or not sanctions should be imposed. Continued noncompliance without an approved "good cause" (for example, failure to immunize due to religious reasons) results in a $90 monthly reduction in the family's grant, which remains in effect until the family proves that the immunization sequence has been started.

Ensuring regular school attendance. From May 1995 to June 1997, parents of children who fail to meet local school attendance standards without "good cause" were required to meet with their caseworkers to ascertain the reasons for the excessive number of unexcused absences. The permissible number of unexcused absences conformed to the existing attendance policy of each local school district, and therefore varied across the State.

Eligibility workers were responsible for reviewing cases in which unexcused absences exceeded local school attendance standards to ascertain the reasons for absence. Workers then developed an individualized plan that identified milestones for redressing problems contributing to inadequate levels of attendance. If a caretaker refused or failed to participate in the corrective action plan *and* the child's school attendance did not subsequently meet acceptable levels, the family's grant was reduced by $90 per month.

In June 1997, the State's school attendance requirement changed in two major ways. First, the definition of excessive absenteeism was standardized—it is now defined as more than three unexcused absences in a grading period. Second, a broader set of circumstances was defined under which a penalty for noncompliance could be imposed. Under the current noncompliance policy, refusal or failure to cooperate with the school attendance treatment plan results in a reduction of the family's monthly grant by an amount equal to removing the needs of the child in question. If the parent fails or refuses to cooperate and the child's absenteeism continues, the family's monthly grant is reduced by an amount equal to removing the needs of both the caretaker and the child. However, no sanction is applied if the child's attendance becomes acceptable even if the caretaker has not complied with the treatment plan.

Family benefit cap. Cash assistance benefits do not increase for births occurring more than 10 calendar months after initial receipt of benefits if the child was conceived in a month when the mother was receiving cash assistance. Exceptions include births due to incest or rape (verified by a physician statement or police records) and the first birth to a minor parent. A further exemption, added in June 1997, applies to cases when the child is born with a substantial and verified physical or mental disability.

Stricter penalties for failure to cooperate with child support enforcement. Effective June 1997, the sanction for noncompliance with the Child Support Enforcement Program in the establishment of paternity was strengthened. Previously, noncompliance with the Child Support Enforcement Program in general, without good cause, could result in the removal of the adult portion of the cash assistance grant. The new provision stipulates that, in cases regarding paternity establishment, the grant will be reduced by the amount of both the adult and the child in question, provided that an adult-only sanction has been in place for at least six months (beginning June 1999) and the parent continues to refuse or fail to cooperate. The child continues to be eligible for Medicaid.[17]

Minor parent living arrangements. To receive cash assistance, all minor parents under the age of 18 must live with either a parent, related adult, legal guardian or other adult holding legal custody of the minor. Good cause exemptions from this requirement are permitted in certain circumstances.[18] Prior to June 1997, the minor parent living arrangement could also include living with a non-related adult in a supervised, supportive living arrangement.[19]

Recent Developments and Pending Changes

The description above covers the initial two sets of policy changes implemented in mid-1995 and mid-1997. Since mid-1997, Indiana's welfare reform has continued to evolve. Several changes now under discussion or in process will further alter the landscape for welfare reform. Unlike the policies described thus far, these policies—with the exception of applicant job search—will not be tested by the evaluation because they will be implemented for both the Welfare Reform and Traditional Welfare groups.

Applicant job search and mandatory work registration. The State is currently planning to implement an applicant job search component. Consistent with the Work First philosophy, the purpose of applicant job search is to move individuals into a job search even before benefits are authorized, with an eye towards preempting the need for assistance. The basic elements of the applicant job search include job search services, a required minimum of 10 employer contacts in a week, and the provision of supportive services (that is, child care, transportation) if needed. To

---

[17] For cases in the Traditional Welfare group, noncooperation with paternity establishment requirements results in ineligibility of the adult only.

[18] These circumstances include the following: (1) there is no living parent or legal guardian who will allow the minor parent to live with them, (2) the minor parent has lived apart from her parent(s) for at least one year before having their own child or applying for cash assistance, and (3) it is determined that living with the parent(s) would jeopardize the physical or emotional health or safety of the minor parent or dependent child.

[19] Cases in the Traditional Welfare group are subject to the same restrictions, except that teen parents in Welfare Reform group cases are subject to a stricter definition of legal guardian.

facilitate recipients' job search, adult applicants and recipient caretakers will be registered for work with the local Department of Workforce Development office at the time of application or redetermination. This automatic work registration process will use an electronic interface between the State's automated client information system (the Indiana Client Eligibility System, or ICES) and the Department of Workforce Development.

Under the applicant job search component, clients applying for public assistance will be required to undergo an additional needs assessment at the point of application. The goals of this assessment are: (1) to determine the minimum level of support necessary to avoid ongoing receipt and, if appropriate, to make referrals to other agencies; and (2) to discuss the applicant's current employment or employment potential, provide information about job opportunities and encourage job entry as an alternative to welfare.

Continued devolution to the local level. Indiana administers its welfare system at the state level. With welfare reform, however, the State is increasing local-level decision-making and program control. One example is a shift from the Central Office to local welfare offices in the responsibility for contracting with IMPACT service providers. More broadly, the State has placed greater emphasis on community involvement and planning within the context of welfare reform. By September 1997, all 92 counties were required to establish Local Welfare Planning Councils to determine how each local community can best provide public assistance and other services to meet the needs of county residents receiving assistance and transitioning from welfare to work. Similar local-level councils were first established when welfare reform was in the early planning stages in 1995.

Expansion of child care and health coverage for low-income families. Although not part of the State's formal welfare reform waiver design, the extent to which child care and health care coverage are available to low-income working families has important implications for welfare reform. If many welfare families cannot afford child care or health care, they will not be able to sustain jobs after their transitional benefits run out. Alternatively, many low income families may find they cannot maintain employment without these critical supports and turn to welfare.

Since 1997, Indiana has made significant expansions in child care subsidies and health care coverage for low-income working families. The State has taken full advantage of the additional child care funding available through PRWORA. Overall federal and State funding for child care (both welfare and non-welfare) has increased from $71 million in federal fiscal year 1996 to $135 million in federal fiscal year 1998. The State also has made child health a priority, even before federal enactment of the new State Child Health Insurance Program. For example, Medicaid eligibility was extended in May 1997 to include all children under age eighteen and, effective October 1998, the eligibility income threshold was raised to cover all families with incomes up to 150 percent of poverty.

1.2 DESIGN OF THE INDIANA WELFARE REFORM EVALUATION

The Indiana Welfare Reform Evaluation is using rigorous research methods to assess the implementation, impacts, and cost-effectiveness of Indiana's welfare reform program. This section summarizes the key questions addressed and methodologies used in the evaluation's process, impact, and cost-benefit studies.

The Process Study

The process study assesses how welfare reform policies are carried out over time. It describes principal features of the program's planning, design, and operation with an eye towards identifying places where intended and actual operations may differ. To this end, the process study documents both decisions and management at the state level and the way the reform is structured, organized and managed at the local level. It contrasts new program structures, operations and services with those of the traditional AFDC program, through "before-after" comparisons and by contrasting experiences of members of the Welfare Reform and Traditional Welfare groups.

Process study findings have two broad uses, in addition to providing helpful descriptive information on the program. First, a thorough assessment of implementation experiences can generate useful feedback for the State in refining the program's design and operations. Second, process information can help identify programmatic changes potentially responsible for findings in the impact study.

The following are the central research questions for the process study:

- What are the major components of the demonstration design, and what were they intended to accomplish?

- How were the major components of the welfare reform plan implemented at the local level? How different is the current program from the pre-existing program as a result of these changes? How different are the experiences of the Welfare Reform and Traditional Welfare groups in terms of services and program requirements?

- How did the welfare reform demonstration evolve over time (that is, planning, start-up and steady-state)? What implementation problems arose, and how were these problems addressed? How fully were the major components implemented? If components were not fully implemented, what are the reasons and consequences? What are the implications for program impacts?

Data sources. The process study relies primarily on interviews with administrators and staff from local welfare offices and the Central Office, local IMPACT service providers, and other relevant actors in the local communities. Data from other sources—including administrative program data, surveys of agency staff, and program documents—supplement information from these interviews. Chapter 2 of this report relies primarily on data from site visits in 1996 and a statewide survey of local welfare office directors in 1997. The process study will continue to collect data for future reports from site visits, surveys, and administrative records.

1996 site visits. The most intensive evidence from the process study is being gathered in a series of site visits to local offices. The first round of site visits occurred between April and June of 1996 in eight sites—Clark, Lake, Madison, Marion, Miami, St. Joseph, Vigo and Wabash counties—chosen to reflect the range of local program and socioeconomic environments in the State.[20] The goals of these early visits were to assess implementation and ongoing operations at the local level and document any start-up problems and operational issues affecting implementation. Field interviewers used semi-structured question guides covering topics such as: organization and service delivery structures; client flow; staff perceptions of welfare reform goals; early implementation issues; training; program design; cultural changes; immunization and school attendance requirements; the family cap; the time limit; IMPACT program changes, including the shift to a Work First approach; assignment of clients to the Basic or Placement Track; and special provisions applying to Placement Track assignees.

Interviewers visited a total of 11 different local welfare offices in eight counties (two offices in Marion County, three offices in Lake County, and one office in each of the remaining six counties). Together, the process study team interviewed 137 individuals, including the DFC local office director and other administrative personnel, public assistance supervisors and caseworkers, IMPACT supervisors and family case coordinators, school personnel, outside education and training service providers, and Step Ahead Council members. Team members also conducted a total of 41 separate observations of program activities such as pre-screening, intake and assessment procedures, orientation sessions and self-sufficiency planning interviews. While they were on site, interviewers also collected policy manuals and other written documentation to supplement material from interviews and observations.

Local field research work was supplemented with two sets of State-level interviews with key FSSA staff in 1996 and 1997.

1997 survey of local office directors. The process study included a statewide survey of local welfare office directors in 1997. The survey asked for local office directors' perceptions of the objectives and effectiveness of welfare reform, and the ways that welfare reform had affected their staff, operations, and clients. Survey instruments were mailed to all 92 counties in May 1997, and counties not responding by early June received a second mailing. Completed survey forms were received from 86 of the 92 local office directors—a 93 percent response rate. Chapter 2 presents results from the survey and compares the local office directors' perceptions with those of workers interviewed a year earlier in site visits.

The Impact and Benefit-Cost Studies

[20] See Fein *et al.* (1997) for a description of county characteristics.

The impact study assesses the effects of Indiana's welfare reform on the social and economic well-being of families receiving assistance. Among the principal questions it will address are the following:

- Does welfare reform reduce welfare receipt and increase earnings and total income?
- Are children better off as a result of welfare reform? Specifically, does welfare reform increase immunization rates and improve the health of pre-school children; improve school attendance and educational outcomes; and contribute to better home environments?
- Does welfare reform influence childbearing decisions, marriage, and family structure?

Data pertinent to these questions will be collected and analyzed over the course of the evaluation. The impact analysis presented in this report focuses on the reform's early effects on economic outcomes, principally employment and welfare participation.

The benefit-cost study will look at welfare reform's effects from a financial standpoint. It asks whether the benefits of the reform outweigh the costs. Benefits and costs can vary depending on key actors' relationships to the welfare system. The evaluation will measure and contrast benefits and costs from the perspectives of welfare clients, the State, the federal government, and society in general.

Over time, the impact study also will address the effects of changes in the State's welfare policies. The 1997 policy changes (described in Section 1.1) afford opportunities to compare impacts of the original and modified program. One approach will be to assess if and how impacts shift for families first enrolled in the original Bayh program after the new policies take effect. A second will be to compare impacts for the early cohort under the Bayh program with early impacts for families who first receive welfare after the new provisions take effect.

In the period covered by the present report, demonstration participants were subject mainly to the original Bayh reform. The impact analysis presented in Chapter 4 is based on a statewide sample of families who enrolled during the first eight months of the Indiana demonstration— between May and December 1995. Cases already receiving AFDC in May 1995 enrolled in the month of their first redetermination after May 1995, and new cases were enrolled in each subsequent month as they entered AFDC. The analysis follows each family for two years. For those families entering the experiment in May and June, the original reform rules were in effect for the entire two-year observation period. For those families who entered the experiment between July and December, the two-year observation period includes one to six months under the revised welfare reform policies, although only families who were still on welfare would actually be affected by the new policies.

Further, less than one percent of the Placement Track clients (and none of the Basic Track or exempt clients) in the research sample for this study actually reached the 24-month time limit during the two-year follow-up period, which means that the impacts presented in Chapter 4 are almost entirely impacts occurring before clients reached time limits.

Outcomes and data sources. The evaluation team also is collecting data for a wide variety of other outcomes pertaining to the broad research questions identified above. Exhibit 1.3 lists some of the principal measures and data sources.

The main data sources for the impact analysis include: the Indiana Client Eligibility System (ICES); Unemployment Insurance (UI) earnings records from the Department of Workforce Development; follow-up surveys; aggregate data on State caseloads, demographic and economic trends; and data from other administrative systems (such as the child welfare system).

- Uses of ***ICES extracts*** include: identifying demonstration participants, measuring welfare participation-related outcomes, and analyzing welfare reform experiences.

- Employer-provided ***wage data*** obtained from the Department of Workforce Development provides the basis for estimating impacts on employment and earnings.

- Interviews were completed in Spring 1997 with 1,593 clients as Wave I of the ***client follow-up survey.*** The survey covers a broad range of outcomes not readily available from other sources (that is, school attendance, health insurance, child care use, various measures of child well-being, and detailed employment and earnings information). A second follow-up survey will be conducted in 1999.

- A special ***child outcomes survey*** will be conducted in 2000 to assess how welfare reform is affecting children's lives. The survey will capture information on health, developmental, and behavioral dimensions of child well-being.

- FSSA's Office of Reports and Statistics has supplied State- and county-level data on ***welfare caseloads*** for the period 1990 through the present. A principal use of these and other aggregate data will be in time series analyses of caseload change.

Exhibit 1.3
Outcome Measures and Data Sources for the Impact Analysis

Outcome Measures	Data Source(s)
Self-Sufficiency Outcomes	
Employment rate	UI records Client survey
Length of employment	Client survey
Amount of earned income	UI records Client survey
Hours worked per month	Client survey
Child support collections	ISETS
Total family income	Client survey (ICES)
Child Immunization Outcomes	
Rates of receipt of recommended immunizations	Centralized State immunization database
Family structure and stability outcomes	
Average number of births per family	Client survey (ICES)
Marriage and separation rates	Client survey (ICES)
Rates of homelessness of children and adults	Client survey
Rates of foster care placement	ICWIS
Child Well-Being Outcomes	
Rates of reported child abuse and neglect	ICWIS
Proportion of children in good health	Client survey
School Performance Outcomes	
Grade completion rates	Client survey
Percent of children meeting satisfactory attendance requirements	Client survey

(Continued)

Exhibit 1.3 (Continued)
Outcome Measures and Data Sources for the Impact Analysis

Outcome Measures	Data Source(s)
Program Participation Outcomes (Including IMPACT Participation)	
Receipt of AFDC/TANF and food stamps; eligibility for Medicaid	ICES
AFDC/TANF and food stamp payments	ICES
AFDC/TANF exit and recidivism rates	ICES
Child care use	Client Survey
Sanction rates	ICES
IMPACT participation rates	ICES
AFDC Entry Effects and Caseload Outcomes	
Number of AFDC applicants	FSSA administrative reports
Total number of AFDC cases	FSSA administrative reports

NOTE: Data sources enclosed in parentheses will be used to summarize outcomes for the subset of cases still receiving AFDC/TANF, primarily for purposes of monitoring "signals" of any possible changes in interim factors related to key study outcomes. Formal impact analysis will be performed only for outcomes which are measured for the entire demonstration sample (including cases still on and off AFDC).

Analysis methods. Indiana's welfare reform is being evaluated through a classic experimental design. This design compares two groups of families: the Welfare Reform group, which is subject to the new policies and services of welfare reform, and the Traditional Welfare group, which faces the policies and services of the pre-reform AFDC program in Indiana.[21] These two groups correspond to the "treatment" and "control" groups, respectively, as those terms are commonly used in experiments.

Most families in Indiana are assigned to the Welfare Reform group, and a randomly selected subset of families is assigned to the Traditional Welfare group. When the first reform policies took effect in May 1995, slightly less than five percent of all cases statewide—in all 92 counties—were selected for the Traditional Welfare group. A similar fraction of new cases entering the program were randomly assigned to the Traditional Welfare group from May 1995 through February 1998.[22] Beginning in March 1998, only newly-entering cases in 12 selected counties are being randomly assigned, rather than all 92 counties, and approximately 20 percent of the cases will be assigned to the Traditional Welfare group, a higher proportion than previously.[23] Once a case is randomly assigned, it retains its assignment status until the end of the follow-up period, which will be in 2001.

The design allows rigorous estimates of impacts by comparing average outcomes for families in the Welfare Reform and Traditional Welfare groups at various points after they entered the experiment. The impact is calculated as the difference between averages for the Welfare Reform and Traditional Welfare groups. Randomly assigning families in this way provides the strongest known method for establishing a valid comparison group. Except for small chance differences, the Welfare Reform and Traditional Welfare groups resemble each other in every way, save for exposure to the new program. Superficially, the two groups have similar characteristics at the outset and subsequently experience the same social and economic conditions.

The impact study is measuring impacts for various outcomes, follow-up intervals, client subgroups, and geographic areas. Comparing impacts for clients with different characteristics helps in inferring where and why the program may or may not be having its intended effects.

[21] The employment and training service policy for the Traditional Welfare group has evolved somewhat over time. From 1995 through 1997, Traditional Welfare group clients faced what amounted to a voluntary employment and training regime; although participation was theoretically mandatory for some clients, they were placed in a pool that was not automatically referred to specific IMPACT workers, whereas mandatory Welfare Reform group clients were immediately assigned by ICES to IMPACT workers. Beginning in 1998, a formal policy of no work services (with minor exceptions) was implemented for the Traditional Welfare group. The analyses presented here represent only the earlier period.

[22] From May 1995 until June 1996, 2.5 percent of new cases were randomly assigned to the Traditional Welfare group; FSSA increased this percentage to 5 percent beginning in June 1996. The exact percentages may differ slightly, due to the nature of the State's random assignment algorithm.

[23] All families analyzed in the present report were randomly assigned between May and December of 1995, during the period of statewide random assignment.

Although powerful, experimental designs are not always able or intended to capture all of the potential influences of a social program. Especially when a program makes massive, systemic changes, there generally will be aspects of its influence that cannot be kept from the control group. For example, because Indiana's welfare reform program was widely discussed in the mass media, there was no way to prevent members of the Traditional Welfare group from being exposed to information about the new policies and rules.

Because it is not possible to measure all of the program effects of interest using this experimental design, the evaluation will be using nonexperimental methods for some analyses. Such methods rely on statistical analysis, rather than randomization, to control for non-program influences. One important nonexperimental analysis, to be completed in the near future, will involve use of time series regression methods to model changes in Indiana's welfare caseloads. The analysis will incorporate policy variables, as well as non-policy variables capturing social, demographic, and economic forces in the Indiana environment (Burstein and Hamilton, forthcoming).

1.3 SCOPE OF THIS REPORT

This evaluation report examines the Indiana welfare reform as implemented in 1995-1997. During this period, the State faced a host of challenges associated with implementing complex, far-reaching changes to its AFDC program. Chapter 2 describes the changes the State intended to bring about and assesses the degree to which the reform was implemented as intended.

With the two years of data now available, it is possible to describe the welfare reform not only as a set of policies and procedures, but also in terms of the numbers and characteristics of clients who have interacted in various ways with the program. Chapter 3 examines the extent to which clients have been assigned to and participated in program activities as planned, and the extent to which they have complied with program requirements or been sanctioned. The chapter also considers the extent to which clients in the Traditional Welfare group may have believed themselves subject to policies that actually applied only to the Welfare Reform group.

The data available at this point permit analyses of how welfare reform affects families in the first two years after they face the new rules. While this is hardly the final word—these same families will be tracked for three more years, and many more families will be included in later analyses—it provides a clear picture of the short-term results of the first set of welfare reform changes. Chapter 4 discusses the program's expected impacts, and presents detailed findings on welfare reform's impacts on families' employment and earnings as well as their AFDC participation and payments.

Chapter Two

Implementation of Welfare Reform in Indiana

Indiana's comprehensive welfare reform has affected all aspects of AFDC and IMPACT program management and operations—priorities and program rules, eligibility and benefit determination, client flow, the automated client information system, IMPACT service delivery, and staff responsibilities. The key objectives of the process study component of the Indiana welfare reform evaluation are *to describe the implementation of the State's welfare reform policies and to assess whether implementation has been consistent with the original intent of the reforms.* Implementation experiences during the first year of Indiana's welfare reform initiative are documented in Fein *et al.* (1997) and include an in-depth description of the events leading up to statewide implementation of the reforms, a description of early start-up experiences, an assessment of which reform features appeared to have been fully implemented by the end of the first year, and areas where implementation appeared weak or in need of further attention. These findings were based primarily on in-person interviews with Central Office and local-level staff in eight counties.[24]

This chapter includes a summary of the implementation findings from the 1997 report and an expanded analysis of results from a June 1997 statewide mail survey of local welfare office directors. This survey asked each local welfare office director about office procedures, priorities, and attitudes toward welfare reform.[25] Findings presented in this chapter cover implementation issues through approximately the first two years of welfare reform. This analysis pays particular attention to areas where survey and site visit findings reinforce each other and where they differ. Policy changes approved under Indiana's second set of waivers and subsequently incorporated into the State's TANF plan were implemented beginning in June 1997—after both the site visits and the local office director survey. Therefore, this analysis does not reflect changes since June 1997. These changes will be the subject of future process evaluation activities.

Use of both survey and site interview data to understand key implementation features of the State's welfare reform experience provides a more complete picture than relying on only one source. The survey affords a general statewide picture of local office directors' perspectives on welfare

---

[24] The eight counties visited were Clark, Lake, Madison, Marion, Miami, St. Joseph, Vigo, and Wabash. See Fein, *et al.* (1997), Section 2.2 for profiles of the study sites.

[25] A total of 86 counties responded to the survey out of 92 counties statewide, a response rate of 93 percent. Responses are representative of the state as a whole.

reform, while the site visits provide very rich and in-depth information on eight counties. We could not determine any significant differences in the responses of local office directors in small welfare offices compared to those in larger offices or between those included in the process study site visits and other offices.

The information presented in this chapter was collected at different points in time and from different groups of respondents. Site visits took place between April and June 1996 and the survey was conducted one year later, in June 1997. With an additional year of experience implementing welfare reform, some start-up issues observed during the site visits may have been resolved by the time of the local office director survey. Finally, data obtained through site visits involved detailed discussions with front-line eligibility and IMPACT staff who implement policies on a day-to-day basis, while the local office director survey provides information on these same policies only from the perspective of top local office management. Local office director perceptions may be based less directly on how front-line staff implement policies and influenced more by policy and management expectations as communicated by the Central Office.

2.1 THE FIRST YEAR OF PROGRAM IMPLEMENTATION: SUMMARY OF KEY FINDINGS

Due to local variation in procedures, practices, and general economic conditions, the process study findings summarized here are not wholly representative of the range of implementation experiences in Indiana's 92 counties. At the same time, due to the mix of study sites and in-depth nature of the field work, findings point to successes and shortcomings that were likely to be shared across the State during the first two years of the welfare reform initiative.

The overarching finding from the local office visits was that, by the end of its first year of operation, *the majority of features included in Indiana's ambitious and comprehensive welfare reform were successfully implemented and fully operational.* The most prominent accomplishment was the shift to an employment-focused "Work First" philosophy and program approach at the local level which emphasized high job placement rates and rapid entry into the labor market. Other key welfare reform features that appeared to be successfully and fully implemented included:

- Using a new, standardized client assessment to determine job-readiness and assignment to the Basic or Placement Track;

- Revising IMPACT activity assignment and client flow procedures to reflect and reinforce a Work First program approach;

- Enforcing sanctions for noncompliance;

- Incorporating the Personal Responsibility Agreement (PRA) into the eligibility process;[26] and

- Carrying out the immunization requirement.

Implementation at the local level appeared inconsistent or weak in four major areas: (1) enhanced intake, (2) the school attendance requirement, (3) case management for IMPACT clients, and (4) completely limiting communications about welfare reform provisions with the control group. Both the accomplishments and challenges of the first year of implementation are discussed further below.

Implementation of a Work First Philosophy and Program Approach

A key accomplishment of the early implementation period was shifting the focus of the IMPACT program to moving recipients into jobs and using short-term job search, rather than longer-term education and training, as the primary path to employment. This shift appeared most prominent in interviews with IMPACT staff and in changes associated with IMPACT's program design, but eligibility workers, service providers, and local office directors also noted the increased focus on employment.

During the first two years of welfare reform implementation, Indiana's Work First program design included ten core elements:

(1) Dividing clients into a Placement Track for clients determined to be job-ready and a Basic Track for those not job-ready, with differing rules and expectations for the two groups;

(2) Using a standardized client assessment to determine job readiness;[27]

---

[26] Recipients of cash assistance are required to sign the PRA indicating that they accept responsibility for themselves and their children and that they agree to abide by welfare reform policies including requirements that children receive appropriate immunizations and attend school, IMPACT program participation requirements, the family cap, time limited benefits, minor parent living arrangements and sanctions for nonparticipation and job quits. As of June 1997, additional elements were added to the PRA including the requirement that children are raised in a safe and secure home and the prohibition of the use of illegal drugs.

[27] A standardized assessment tool was designed and used to assign IMPACT-mandatory clients to either the Basic or Placement Track. The assessment is intended to identify the more job-ready clients for assignment to the Placement track based on a variety of issues including education level, current and past employment, availability of child care and transportation, family needs, emotional support systems, medical history and history of substance abuse, physical abuse and/or sexual abuse.

(3) Time-limiting assistance for clients assigned to the Placement Track;[28]

(4) Placing a high priority on local offices achieving job placement goals;

(5) Increasing the use of job search and job readiness activities to help clients obtain employment, and permitting education and training activities only when combined with more work-focused activities;

(6) Introducing greater competition for contracts to provide IMPACT services, making contracts more performance based, and shifting funding for contract services from education and training to job readiness, structured job search, and job placement;

(7) Expanding the number of clients exposed to IMPACT and required to engage in work-related activities;

(8) Strengthening sanctions for Placement Track clients and generally enforcing sanctions more vigorously;[29]

(9) Employing incentives to encourage and support work, including a "fixed-grant" policy for Placement Track clients that enabled them to retain part of their grants while employed, and a "zero-grant" policy for those whose employment resulted in no AFDC payment; and

(10) Increasing the use of case management.

Key findings related to the implementation of selected features of Indiana's Work First model are:

- Adoption of a Work First philosophy and program approach substantially shifted the focus from education and training to job search as the main path to employment. In 1994, 66 percent of clients in an IMPACT assignment were engaged in an educational activity, and just 12 percent were in a pre-employment activity. By May 1996, only 28 percent of participants were in an educational activity, and the fraction in pre-employment activities had more than tripled (to 45 percent).

[28] In addition to being subject to a time limit on cash assistance, individuals in the Placement Track were subject to stricter sanctions and attendance requirements, but were permitted to keep a large share of earnings and remain eligible for cash assistance and child care. As of June 1997 the Placement-Basic distinction was eliminated. Subsequently, all IMPACT-mandatory clients are subject to rules and requirements formerly applied only to Placement Track clients.

[29] Under Indiana's sanction policy, the first occurrence of noncompliance results in the loss of the adult's portion of the grant for a minimum of two months and until the noncompliant behavior ceases. In addition, the adult loses Medicaid eligibility until compliance occurs. Subsequent noncompliance is met with penalties of increasing durations.

- Setting monthly job placement goals for local offices and ongoing communication by the Central Office to local offices on the importance of reaching monthly job goals played a significant role in encouraging the shift to a Work First philosophy.

- The Work First strategy extended to both Placement Track and Basic Track clients. Prior to the elimination of the Placement and Basic Track distinction in June 1997, the major difference between the two groups was that only Placement Track clients were subject to the 24-month time limit and stricter sanctions and, unlike Basic Track clients, were required to meet their first 20 hours of participation solely through employment-related activities. Although Basic Track clients were permitted to couple education with more work-related activities to reach the 20-hour participation goal, the vast majority of IMPACT workers interviewed reported they referred most of their Basic Track clients to job search and other work activities. One likely explanation for this consistent emphasis is that workers felt the pressure to meet local office job placement goals and believed these goals were more likely to be attained if all IMPACT-mandatory clients were assigned to short-term job search rather than longer-term education or training.

- The universal Work First approach was also reinforced by structuring performance-based contracts with IMPACT service providers in ways that rewarded contractors through payments for client job search activities and job placements.

- During the 1996 site visits, still more than a year before clients would begin to reach time limits, it did not appear that the 24-month time limit had caused staff or clients to view movement off welfare as an urgent priority. Two factors appeared to diminish the potential for the time limit to convey this message at this early stage of implementation. First, workers typically did not spend much time educating clients about the time limit, reminding them how many months of assistance they have used up, or impressing upon them the urgency for moving off welfare before they reach the time limit cut-off. Second, according to staff, clients typically faced so many day-to-day problems that they found it difficult to appreciate the full implications of time limits, thereby reducing the possibility of the policy motivating clients to move off welfare.

Early Implementation Challenges

The implementation of any large-scale reform to an ongoing program is a significant challenge and start-up problems are common. Indiana's welfare reform initiative had its share of start-up difficulties, most of which were resolved within the first year of implementation. This section describes welfare reform components identified during local site visits that were still encountering implementation difficulties approximately one year after initial implementation.

Enhanced intake. The enhanced intake process is intended to promote cultural change by sending a clear message that welfare should be considered only when all other means of support are exhausted, and that the focus of welfare has shifted to self-sufficiency and employment. At the time of our site visits, only two of the eight process study counties had implemented enhanced intake according to the intended design—conducting the enhanced intake prior to, and separate from, the eligibility interview and actively exploring the possibility of avoiding AFDC by identifying and utilizing alternative resources. Four sites operated a modified version of enhanced intake—having staff discuss alternatives to welfare during the eligibility interview—and two sites addressed the topic during the application prescreening process, but did not place significant priority on this aspect of reform. Reasons staff gave for not following the intended design included limited staff resources and skepticism that enhanced intake would divert people from applying for benefits. The State is now planning to implement a more fully developed enhanced intake process, the key components of which are applicant job search, a needs assessment at the point of application, and mandatory work registration with the Indiana Department of Workforce Development.

School attendance requirement. The Central Office gave local offices considerable flexibility in designing procedures to implement the school attendance requirement. This localized approach was adopted in light of the large number of school districts in the State and wide variation in school attendance policies. Local offices varied in the extent to which they established coordinating procedures with schools to exchange information, and in guidance on verification and monitoring practices for staff. Five of the eight process study sites had formal, or relatively formal, procedures in place to verify school attendance. Those with relatively unsystematic approaches appeared not to enforce the requirement as consistently or vigorously. Few staff reported having developed a written improvement plan addressing circumstances contributing to excessive school absences, perhaps in part because workers felt they had not received adequate training or guidance on how to develop a good treatment plan and were ill-equipped to redress attendance problems. Effective June 1997, the State has attempted to improve the implementation of the school attendance requirement by defining excessive absences as more than three unexcused absences in a grading period, and by strengthening sanctions for failure to comply.

Case management. Indiana's Work First model was intended to include a strong case management component. Working closely with clients to identify barriers and coordinate services and resources on their behalf is considered critical because: (1) the two-year time limit heightens the need to minimize the number of clients who will actually reach the time limit and experience a reduction in benefits, and (2) as Work First moves the most job-ready clients into employment, an increasing share of the caseload may comprise "harder-to-serve" clients with multiple barriers to employment.

Despite the priority placed on case management by the Central Office, IMPACT workers in the eight local sites overwhelmingly expressed the opinion that case management had actually *decreased*, rather than increased, since the implementation of Work First. Staff perceived a need to conduct more case management but felt hindered by the more pressing need to move a high volume of clients quickly into IMPACT services and employment. Although the State succeeded in expanding coverage and participation under the new Work First approach, the increased emphasis on getting more clients assessed and assigned to a program activity appeared to decrease the time staff could spend on case management. As discussed later in this chapter, since the first round of site visits the Central Office has made plans to strengthen case management by increasing caseworker:client ratios and providing training on case management techniques.

Random assignment. In order to help maintain the distinction between members of the Welfare Reform (experimental) group and the Traditional Welfare (control) group, the State's electronic client eligibility system (ICES) successfully automated many critical reform procedures to ensure that they were not applied to members of the control group. However, site visit interviews with staff suggested that many workers discussed welfare reform changes with members of the Traditional Welfare group, including having clients review and sign the PRA. Failure to universally apply prohibitions for Traditional Welfare group members can be traced to the facts that this group comprised only a small fraction of workers' caseloads, and that the random assignment status of recipients was not determined during the original intake interview when many workers reviewed the PRA. Since identifying this problem, evaluation staff have actively worked with State and local office staff to improve the distinction between the Traditional Welfare and Welfare Reform groups and strengthen the random assignment design.[30]

2.2 PERSPECTIVES ON PROGRAM IMPLEMENTATION AMONG FRONT-LINE STAFF AND LOCAL OFFICE DIRECTORS

With the growing shift in Indiana's welfare system from centralized administration toward more localized control over services and program operations, local office directors' attitudes and perceptions about key welfare reform policies may become even more influential in shaping local operations. In addition to assessing implementation through local office visits, interviewers also surveyed local office directors to obtain their views on welfare reform objectives and priorities, changes in philosophy and organizational culture brought about by welfare reform, implementation of Work First and personal responsibility features of welfare reform, and perceived obstacles to employment faced by clients.

[30] In addition to several follow-up training sessions for all staff, Traditional Welfare group members have been assigned to specialized workers in each county and, as of March 1998, the point of random assignment has been moved to application to better allow staff to identify Traditional Welfare group members before they implement the PRA.

Information on local office director views on these subjects provides a valuable supplement to previous site visit work and expands our understanding of local implementation. The survey also provides an opportunity to assess the extent to which implementation experiences documented in the eight process study sites may be similar to experiences statewide. Finally, local office directors' assessment of client-based and structural barriers to employment (for example, availability of child care, local employment opportunities) provide a basis for better understanding the context in which policies are being implemented and the challenges local offices face in achieving welfare reform goals.

Changes in Philosophy and Organizational Culture

Indiana's welfare reform initiative sought to change the organizational culture of welfare offices from one where the welfare office exists mainly to process and issue checks and public assistance is an ongoing entitlement, to one where assistance is temporary and the role of the welfare agency is to encourage personal responsibility and movement to work as soon as possible. The local office director survey sought to assess the extent to which this change had occurred through questions about several organizational aspects such as the degree to which staff supported the reforms, the extent to which staff shifted their energies toward new responsibilities, and perceptions of overall environmental change. Local office directors who responded to the survey and front-line staff interviewed during site visits to the eight local offices clearly articulated the new philosophy.

Survey responses indicated that most local office directors believe that welfare reform had resulted in a change in the office environment and culture, although they varied in their assessment of the degree of change, as shown in Exhibit 2.1. Twenty-nine (29) percent of local office directors indicated the office culture and environment had changed a great deal as a result of welfare reform. Another 63 percent thought the culture and environment had changed "moderately" or "somewhat," with only eight percent believing welfare reform had led to "very little" change.

Of those who responded to an open-ended question regarding the *one* way welfare reform had most changed the culture or environment, the most frequently cited change (mentioned by 46 percent) was the shift to a Work First philosophy. Other respondents noted shifts to viewing welfare as a temporary form of assistance and the broader focus of helping clients become self-sufficient (each offered by 13 percent of respondents). Additional responses included that welfare reform had created an environment marked by increased levels of staff stress and frustration (nine percent) and frequent policy changes (seven percent).

Exhibit 2.1
Local Office Directors' Assessment of Changes in Philosophy and Organizational Culture

	Percent of Local Office Directors Responding:				
Survey Question	**A Great Deal**	**Moderately**	**Somewhat**	**Very Little**	**Total**
Overall, how much do you think the culture or environment of your office has changed as a result of welfare reform? (N=85)	29%	38%	25%	8%	100%
	Significant	**Moderate**	**Minimal**	**None**	**Total**
Shift in energies of FCCs to focusing on Work First has been...(N=85)	85%	12%	3%	0%	100%
Shift in energies of PACs to focusing on increasing client personal responsibility has been...(N=85)	49	45	6	0	100

DATA SOURCE: June 1997 survey of local office directors.

Staff support for policies may be one indication of the extent to which their energies have shifted to implementing the new policies, thereby effecting cultural change. During site visit interviews, IMPACT staff generally agreed that welfare reform brought with it a significant change to the overall focus of their jobs as well as their day-to-day requirements. Public assistance caseworkers (PACs) tended to view welfare reform changes in more discrete terms of additional responsibilities (for example, explaining the PRA) but did not necessarily believe that the focus of their jobs had changed significantly.

Local office directors were also asked about their perceptions of the extent to which staff energies have shifted toward emphasizing Work First and personal responsibility. The survey suggests that local office directors strongly believed that the energy and efforts of IMPACT Family Case Coordinators (FCCs) had shifted toward a Work First focus. Eighty-five percent of local office directors indicated that there had been a "significant shift in focus" to Work First among FCCs, with another 12 percent indicating a "moderate shift in focus." (See Exhibit 2.1.)

Local office directors also saw a shift in focus among PACs toward emphasizing personal responsibility with clients, also supporting the cultural change sought by the reform initiative. Local office directors perceived this as a less significant shift than the shift among IMPACT staff, however. Nearly half of the responding local office directors said there had been a "significant shift in focus" in PACs' energies toward increasing client responsibility by implementing the personal responsibility features, with another 45 percent noting a "moderate shift in focus" and the remaining six percent noting a "minimal" shift. (See Exhibit 2.1.)

If staff strongly support a policy, they are more likely to implement it fully and accurately. Local office directors believed most of their staff supported welfare reform, despite the fact that they also thought welfare reform had increased the workload of both Public Assistance Caseworkers and Family Case Coordinators. Consistent with site visits, local office directors perceived that FCCs were more supportive of the Work First welfare reform changes they were charged with carrying out than PACs were of welfare reform changes in general. Eighty-one (81) percent of local office directors "strongly" agreed that most FCCs supported the Work First approach, whereas 64 percent "strongly" agreed that PACs in their local office supported welfare reform changes.

Although local office directors' responses to questions about organizational change varied, on balance, directors perceive that welfare reform contributed to a change in the overall organizational environment and culture of their offices as intended.

Welfare Reform Objectives and Priorities

Indiana's welfare reform initiative embodies a number of provisions intended to improve the lives of welfare recipients. The emphasis given to different welfare reform objectives by local office directors can affect how diligently front line staff implement policies and convey the underlying messages associated with various welfare reforms. Therefore, it is important to understand what priority directors place on the numerous objectives in Indiana's comprehensive welfare reform initiative. The local office director survey asked respondents to consider a list of welfare reform objectives (see Exhibit 2.2) and identify which objectives had received the most attention in their local office. This set of questions asked local office directors to rank the variety of polices *relative to each other*—a relatively low ranking does not necessarily indicate that the policy is unimportant or not being implemented.

Both the site visits and the local office director survey indicate that Work First—the cornerstone of Indiana's approach—is perceived as important and has been translated to an operational reality. "Moving clients off welfare and into employment quickly" was among the top three highest priorities of welfare office directors, with about one-quarter (24 percent) choosing this objective as their highest priority. However, the local office director survey shows that implementation of Work First has not supplanted the more traditional priority of ensuring benefit accuracy and timely payment of benefits. Half of the local office directors surveyed chose ensuring "eligibility determination and benefit levels are accurate" as their highest priority, and 84 percent selected this response as one of their top three priorities.

Compared to achieving benefit accuracy or the employment-focused objectives of welfare reform, welfare reform features designed to increase personal responsibility received far less priority. For example, when asked which welfare reform objective received the *least* attention, the majority of respondents (69 percent) indicated "discouraging out-of-wedlock births." School attendance and immunization requirements[31] were also given less priority. Only two local office directors chose "improving school attendance" as one of the top three priorities, while no one selected "ensuring immunizations are up to date."

The welfare reform objective most frequently cited by local office directors as "most likely to make a positive difference for families and children" (87 percent) was "helping clients attain long-term self-sufficiency." Another seven percent chose "moving clients off of welfare and into employment quickly"—the priority most directly aligned with a Work First approach—in response

[31] Indiana's Personal Responsibility Agreement requires, among other things, that adults submit proof that their children aged six and under have up-to-date standard immunizations and that children aged seven to 18 have not been excessively absent from school without an acceptable excuse. Adults who fail to comply with the PRA requirements without good cause receive a $90 reduction in their monthly benefit allotment.

Exhibit 2.2
Local Office Directors' Priority Ranking of Welfare Reform Objectives

Welfare Reform Objective	Percent of Local Office Directors Choosing Objective as: Highest Priority (N=86)	Second Highest Priority (N=86)	Third Highest Priority (N=85)	Most Likely to Make a Positive Difference for Families and Children (N=86)	Objective Given Least Attention (N=85)
Ensuring that eligibility determination and benefit levels are accurate	50%	21%	13%	0%	0%
Moving clients off welfare and into employment quickly	24	31	15	7	1
Meeting job placement goals	12	11	13	0	1
Helping clients attain long-term self-sufficiency	9	21	13	87	0
Fully informing clients about welfare reform expectations and requirements	5	8	18	0	0
Enforcing sanctions when clients do not comply with program rules	0	6	19	0	0
Identifying and investigating fraud and carrying out fraud control	0	2	7	1	12
Improving school attendance among AFDC children	0	0	2	1	8
Discouraging out-of-wedlock births	0	0	0	4	69
Ensuring that children's immunizations are up-to-date	0	0	0	0	7
Other	0	0	0	0	1
TOTAL	100%	100%	100%	100%	99%

DATA SOURCE: June 1997 survey of local office directors.

NOTE: Column totals may not equal 100% due to rounding.

to this question. A few local office directors identified other objectives such as "discouraging out-of-wedlock births" (four percent), identifying and investigating fraud and carrying out fraud control" (one percent), and "improving school attendance among AFDC children" (one percent). Although the response most closely aligned with the Work First philosophy did not receive the highest response, this may be because helping recipients move to work was considered a component of the larger objective of helping clients attain long-term self-sufficiency.

Implementing Work First—Selected Features

Translating Indiana's Work First philosophy into programmatic terms required a number of changes to the IMPACT program. Only one of the four elements of the reform not implemented as intended at the time of the 1996 local office visits—case management—was directly related to Work First. To better understand the extent to which a Work First philosophy was translated into an operational reality, we asked local office directors several questions about the policies and procedures put in place to support the Work First environment. Work First elements covered in the survey include client assessment, case management, stricter IMPACT sanction policies, time-limited assistance, job placement goals set for each county by the State, and the shift to performance-based service contracts. The implementation of each of these is discussed in more detail below.

Client assessment. The client assessment was a critical feature in Indiana's Work First program during the first two years of welfare reform because it provided the mechanism for determining whether a client would be assigned to the Placement or Basic Track. A client's score on the assessment determined whether or not the individual was job-ready and therefore assigned to the time-limited Placement Track. At the time of the Spring 1996 site visits, IMPACT staff generally expressed the view that the client assessment was a useful, although imperfect tool for identifying job-ready clients. Other common comments from IMPACT staff were that: (1) the assessment process was time-consuming to carry out; (2) it played a relatively minimal role in developing clients' self-sufficiency plans since, in practice, most would be assigned to job search anyway; and (3) the time spent on tasks related to the assessment prevented staff from spending more time on case management with clients.

Survey results indicate that local office directors as a whole viewed the client assessment more positively than did front-line IMPACT staff interviewed during site visits. For example, three-quarters (76 percent) of local office directors agreed that the client assessment effectively determined which clients were actually job ready and 83 percent agreed that the client assessment was useful in identifying supportive service needs. Inconsistent with staff reports, a majority of local office directors (79 percent) agreed with the statement, "IMPACT workers rely heavily on the client assessment to develop their clients' self-sufficiency plans." This more positive view may be a result of local office directors considering the assessment a component of case management discussed below.

Case management. As noted above, increased levels of case management was the one aspect of Work First that was not well implemented at the time of the local office visits. Although staff reported that case management had been presented as a top priority during welfare reform training, they noted the actual opportunities to engage in case management had *decreased* with the increased workload associated with Work First. Local office directors' perceptions of case management differed from those of local office staff.

A majority of directors (79 percent) believed that IMPACT workers spent more time on case management than before welfare reform. There are several possible explanations for the marked difference between front-line staff and local office directors regarding the time workers spend on case management. For example, the local office director survey may reflect the priority placed on case management by the Central Office rather than the ability of workers to actually perform case management. It should also be noted that during the year after the local site visits and before the local office director survey, the Central Office had increased efforts to convey to local offices the importance of case management. Therefore, the survey may be capturing local office directors' awareness of the increasing priority placed on case management or an actual increase in case management by staff since the time of the site visits, or both.

Another possible explanation for this difference in perception is that local office directors may be interpreting "case management" differently from workers. The requirement that staff conduct the client assessment and develop a self-sufficiency plan for each client, coupled with the increased number of clients seen by IMPACT staff and the need to quickly refer clients to work-focused services, resulted in staff believing they had less time to spend on counseling, developing individualized strategies for self-sufficiency, and developing on-going relationships with clients. Therefore, staff widely reported they had less time for case management. However, workers also reported that they spent more time conducting assessments and completing self-sufficiency plans with clients than they had prior to welfare reform. If local office directors perceive the completion of these tasks as examples of how and when case management occurs, this could lead local office directors to conclude that case management had indeed increased.

As caseloads decline, it is widely expected that the remaining caseload will be increasingly composed of clients with multiple barriers to employment and the Central Office is planning to place even greater priority on the need for workers to engage in intensive case management. For example, the State is planning to offer training focused on case management techniques and to lower FCCs' caseloads through the addition of FCC positions. Exploring the difference between the staff and local office director views on the extent to which case management is used and ascertaining whether staff are, in fact, dedicating more time to case management, as well as obtaining additional information about these new developments, are planned as objectives of future process study activities.

IMPACT sanctions. Stricter sanctions for clients who do not comply with IMPACT requirements are another feature of Indiana's Work First approach. By toughening the sanction policy, through both larger financial penalties and fewer reasons accepted as "good cause" exemptions, the State intended to send a clear message to staff and clients about the importance of participation.

Like time limits, sanctions are intended to alter client behavior by motivating clients who would not have done so otherwise to participate in program activities. IMPACT staff interviewed during site visits expressed the sentiment that IMPACT sanction penalties should be stronger. They cited a high number of clients who did not come into compliance after being sanctioned as evidence that the existing sanction policy was not effective. According to survey responses, local office directors also thought sanctions should be stronger and had mixed views on whether sanctions motivated clients to participate in IMPACT program activities.

A majority (71 percent) of local office directors agreed that "the IMPACT sanction policy in effect during the past years should have been tougher," as shown in Exhibit 2.3. Only 29 percent disagreed with the statement, with 28 percent disagreeing "somewhat" and one percent disagreeing "strongly." The majority of respondents disagreed with the statement "sanctions provide an effective incentive for clients to comply with program rules." Only two percent of local office directors agreed "strongly" with this statement.

Time limits. Indiana's 24-month time limit is intended to motivate clients to strengthen their efforts to become self-sufficient.[32] Staff and supervisors interviewed during our site visits indicated that time limits did not play a particularly important role in motivating clients to seek or obtain jobs. Staff noted that clients were too focused on current life challenges to fully understand and respond to time limits. Additionally, staff noted that some clients did not believe that the time limit would be enforced. Some staff themselves questioned whether or not the time limit would actually be enforced and most indicated they did not spend much time emphasizing or explaining the time limit policy in their interactions with clients.

[32] The original time-limit policy applied only to clients assigned to the Placement Track and affected only the adult's portion of the grant. Indiana's time limit differed from other states in that once the time limit began, all months counted against the 24-month time limit, regardless of the number of months clients were receiving assistance during this period. Once 24 months had passed, the client was ineligible for cash assistance for 36 months. Several significant changes to the time limit policy were implemented in June 1997, including eliminating the Placement-Basic Track distinction so that the time limit applies to all IMPACT mandatory clients; counting only months of receipt; and making the 24 month limit a lifetime limit.

Exhibit 2.3
Local Office Directors' Assessment of Sanctions and Time Limits

	Percent of Local Office Directors Responding:					
Survey Question	**Agree strongly**	**Agree somewhat**	**Disagree somewhat**	**Disagree strongly**	**Don't know**	**Total**
Sanctions:						
The IMPACT sanction policy in effect during the past years should have been tougher. (N=86)	29%	42%	28%	1%	0%	100%
Sanctions provide an effective incentive for clients to comply with program rules. (N=86)	2	34	33	31	0	100
Time Limits:						
Most Placement Track clients fully understand how the time limit is calculated and how it affects their grant *(Note: prior to the 6/1/97 changes)* (N=85)	11%	40%	33%	15%	1%	100%

DATA SOURCE: June 1997 survey of local office directors.

Local office directors viewed the time limit as playing a much more important role in increasing recipients' work efforts than did the front-line staff interviewed during local site visits. The difference may be in part due to the fact that the imposition of time limits was still distant at the time of the site visits but was imminent at the time of the local office directors survey. Nearly three-quarters (74 percent) of local office directors reported that the time limit was one of the top three features of welfare reform responsible for increasing welfare recipients' work efforts, with 29 percent ranking the time limit as the "most important" aspect. Because time limits are still a relatively new feature of welfare reform, it will be of interest to determine whether front-line staff perceptions about the importance of time limits change and become more consistent with local office directors' once clients reach the time limit.

Local office directors' responses varied as to how fully they believed recipients understood the specifics of the time limit and how it is calculated, as shown in Exhibit 2.3. About half agreed that recipients subject to the time limit fully understood how it is calculated and how it would affect their grant, while the other 48 percent disagreed.

Job placement goals. Indiana has placed high priority on county-based monthly job placement goals as a way to reinforce the shift to Work First, identify how well counties were making this shift, and measure the overall success of its welfare reform initiative. At the time of the Spring 1996 site visits, local office directors and IMPACT staff emphasized that meeting their job placement goals was taken very seriously and given high priority. Approximately one year later, the survey indicated that local office directors agreed that job placement goals played an important role in shifting the focus of the IMPACT program to Work First and reported that job placement goals had not been difficult to meet.

Ninety (90) percent of local office directors believed that job placement goals had been important in shifting the focus of IMPACT to employment. Exhibit 2.4 illustrates further. Although only 12 percent of directors chose "meeting job placement goals" as their top priority, 36 percent chose this objective as one of the top three priorities. Most local offices succeeded in meeting their job placement goals, and only 36 percent of directors indicated that meeting their goals had been difficult. As of March 1997, the majority of counties had already exceeded their state fiscal year 1997 job placement goals, with three months left before the end of the fiscal year.

Service delivery providers and contracting process. Two noteworthy characteristics of Indiana's Work First approach are (1) the devolution of authority to local offices to select service providers and (2) the use of performance-based contracts. Local providers of work-related services such as job search assistance and job development have been hired to provide services to welfare recipients referred by the IMPACT program. Local office directors were given an increased role in the process of determining which providers should receive such contracts, and how payments for achieving desired outcomes should be structured.

Exhibit 2.4
Local Office Directors' Assessment of Job Placement Goals

	Percent of Local Office Directors Responding:			
Survey Question	**Very Important**	**Somewhat Important**	**Not important**	**Total**
How important do you think job placement goals have been in shifting the focus of the IMPACT program to employment? (N=85)	42%	48%	9%	99%
	Not difficult to meet	**Somewhat difficult to meet**	**Very difficult to meet**	**Total**
How difficult has it been to regularly meet your county job placement goals over the past 2 years (May 1995 - May 1997)? (N=85)	64%	35%	1%	100%

DATA SOURCE: June 1997 survey of local office directors.

NOTE: Row totals may not equal 100% due to rounding.

Overall, most local office directors believed that they have been given a "significant" amount or a "fair" amount of authority to make contracting decisions—see Exhibit 2.5. Only 16 percent responded that they had been given a "little more" or "no more" decision-making authority. When asked about the most important change resulting from this increased authority, the most common response was the increased ability to tailor services to meet local needs (48 percent), followed by an increased emphasis on job placement (21 percent).

In addition to providing increased authority to local office directors in the selection of contract service providers, the State requires that IMPACT service contracts be performance-based. A key purpose of the shift to performance-based contracting has been to encourage service providers to reinforce the Work First philosophy by placing clients in jobs quickly. Under performance-based contracts, payment is generally provided to contractors only when certain performance benchmarks (for example, enrollment in activities, job placement, job retention) were achieved.

Local office directors varied in the extent to which they believe a movement to more performance-based contracts has increased contractors' job placement rates. Fourteen (14) percent of respondents believed the shift to performance- and outcome-based contracts had a "significant" impact on contractors' performance, with an additional 38 percent responding this shift had a "fair amount" of impact. However, 41 percent believed that the impact on contractor performance was slight or had "no effect."[33]

When asked about their overall satisfaction with their current IMPACT service providers' performance, the majority of local office directors (71 percent) were satisfied, with 28 percent reporting they were "very" satisfied (see Exhibit 2.5). Only five percent responded that they were "very dissatisfied." Possible explanations for this relatively high level of overall satisfaction are the more competitive contracting process implemented with welfare reform and the increased discretion of local office directors in the selection process.

Non-Work Related Personal Responsibility Features

Indiana's welfare reform initiative also includes several personal responsibility features. In addition to promoting work, Indiana's welfare reform includes provisions requiring parents to ensure their children are properly immunized and regularly attend school. To achieve more equitable treatment between welfare and non-welfare families, and to encourage families not to have children they cannot support, a family cap provision was implemented so that benefits do not increase as

[33] The remaining seven percent did not know the extent to which moving to performance-based contracts had increased contractors' job placement rates. The survey did not obtain information on the reasons for directors' perceptions of performance-based contracting.

Exhibit 2.5
Local Office Directors' Assessment of Service Delivery Providers and the Contracting Process

	Percent of Local Office Directors Responding:				
Survey Question	**Significantly more**	**A fair amount more**	**A little more**	**No more**	**Total**
How much more authority has your office been given about contracting with providers for IMPACT services compared to before welfare reform? (N=84)	43%	41%	9%	7%	100%

	Very satisfied	**Somewhat satisfied**	**Satisfied**	**Somewhat dissatisfied**	**Very dissatisfied**	**Total**
Overall, how satisfied are you with the performance of your current IMPACT contract service provider(s)? (N=85)	28%	23%	20%	24%	5%	100%

DATA SOURCE: June 1997 survey of local office directors.

additional children are born to a family receiving cash assistance. The local office director survey asked about the relative priority of such personal responsibility features of welfare reform as compared to other reform objectives.

Responses to the local office director survey indicate that personal responsibility features of welfare reform were not given as high a priority as the Work First features. Only two percent of local office directors reported that improving school attendance was one of the county's top three welfare reform objectives and eight percent noted improving school attendance as the objective that received the least attention. Like school attendance, the immunization requirement ranked relatively low among local office directors' welfare reform priorities.

The welfare reform objective with the lowest relative priority was another personal responsibility element, the family cap. Sixty-nine (69) percent of local office directors reported that it received the least attention. Sixty-two (62) percent of local office directors indicated that staff "rarely" discuss family planning services and another 20 percent reported workers do not discuss the issue at all. Only 18 percent reported staff routinely discuss family planning services. Similarly, site visits found that staff did not believe the family cap would deter childbearing—and that many staff did not believe discussions about family planning services were an appropriate, or even allowable, part of their jobs. These feelings among workers probably do not affect implementation of the family cap because the computerized eligibility system automatically determines its application. Additionally, analysis of aggregate data from the automated system indicates that this policy is being implemented.

Perceived Barriers to Employment

In addition to assessing specific welfare reform policies, local office directors were asked to consider and assess the severity of potential obstacles to employment that clients faced. The obstacles included structural or community barriers (such as lack of transportation and available jobs), client characteristics (such as lack of motivation and limited work experience), and office or welfare system characteristics (such as the number of staff and performance of service contractors). As shown in Exhibit 2.6, local office directors indicated that the top five obstacles to employment among clients were: (1) lack of motivation/self-esteem/poor work ethic; (2) lack of transportation; (3) low pay/lack of benefits; (4) lack of child care; and (5) limited work experience among clients.

Lack of motivation/self-esteem/poor work ethic was the most frequently identified obstacle. Fifty-four percent of local office directors noted that this was a "very serious" problem and additional 45 percent ranked this obstacle as a "definite" problem. Insufficient supportive services in the forms of transportation and child care also ranked high as obstacles to employment. This is consistent with another finding from the survey which showed that almost two-thirds of local office

Exhibit 2.6
Ranking of Potential Obstacles to Employment

	Percent of Local Office Directors Responding Degree to Which Potential Obstacle Exists in Community (N=86 except where noted)					
Potential Obstacle	**Very Serious Problem**	**Definite Problem**	**Not Much of a Problem**	**Not a Problem**	**Don't Know**	**Total**
Structural/Community Barriers						
Lack of transportation	48%	36%	14%	1%	1%	100%
Low pay/lack of benefits	42	42	15	1	0	100
Lack of child care	35	38	22	4	1	100
Not enough jobs in this area (N=85)	14	18	41	27	0	100
Employers' reluctance to hire welfare recipients	12	32	49	5	2	100
Client Characteristics						
Lack of motivation/self-esteem/poor work ethic among clients	54%	45%	0%	0%	1%	100%
Limited work experience among clients	35	54	10	1	0	100
Limited basic educational skills among clients	26	58	16	0	0	100
Significant mental and physical health problems, domestic abuse, substance abuse, etc. among clients	24	54	17	2	2	99
Office/Welfare System Characteristics						
Insufficient number of IMPACT staff to work with clients	19%	31%	26%	22%	2%	100%
Performance of IMPACT contract service providers	6	19	46	26	3	100

DATA SOURCE: June 1997 survey of local office directors.

NOTE: Row totals may not equal 100% due to rounding.

directors (64 percent) agreed with the statement "More supportive services should be made available to IMPACT clients."

The only supportive services identified separately as potential barriers to employment in the survey were child care and transportation assistance available to welfare recipients. More local office directors considered transportation a "definite" or "very serious" problem than considered this of child care (84 percent compared with 73 percent, respectively). Furthermore, the lack of child care providers was perceived to be a larger problem than child care funding. Among those who indicated that lack of child care was a "very serious" obstacle to work (35 percent of all respondents), 70 percent *agreed* with the statement "funding for child care has been sufficient to meet the needs of our welfare clients" while 93 percent *disagreed* with the statement "there are enough child care providers in this area to meet the needs of IMPACT clients" (not shown in the exhibit).

At least in part reflecting the strong economy experienced across most parts of the state, local office directors did not perceive the availability of jobs to be an obstacle to employment. Many directors (27 percent) responded that lack of available jobs in their community was "not" a problem and another 41 percent indicated lack of jobs was "not much" of a problem. However, local office directors were almost unanimous in the viewpoint that availability of jobs *generally* does not necessarily translate directly to the availability of jobs *that will move individuals off of welfare*. Ninety percent of all respondents disagreed with the statement "the wages/benefits *most* welfare clients are able to get from employment is enough for them to support their families." These two responses together suggest that local office directors believe that although Indiana's welfare reform may move clients into employment in the short term, the types of jobs clients are likely to obtain given existing education and skill levels are not likely to move clients off welfare and into self-sufficiency without additional supports, such as child care assistance and upgrading skills.

2.3 CONCLUSIONS

Findings from the process study indicate that the majority of Indiana's welfare reforms have been implemented and are fully operational. Findings from visits to local offices and a survey of local office directors indicate that Indiana has successfully implemented the Work First philosophy and, aided by job placement goals, staff have significantly shifted their energies toward emphasis on job placement. Eligibility staff have also shifted their energies toward emphasizing personal responsibility features of reform, although by most accounts, not as vigorously as staff involved with the work program. This difference might arise from the fact that local office directors generally viewed personal responsibility features, for which eligibility staff are primarily responsible, as a lower priority than the Work First-related objectives of welfare reform, or from the fact that the majority of personal responsibility features had been easily incorporated into the intake process by the time of the local office visits.

Two key elements of Indiana's reform, about whose implementation local office directors were more positive than staff, were the importance of time limits as a motivational tool, and the extent to which staff were able to perform case management functions. This difference may reflect local office directors' awareness of the importance of these two reform features to the Central Office. The Central Office has placed increasing emphasis on the importance of case management since the 1996 site visits, with several key changes planned to increase case management efforts. In the case of time limits, the difference may also reflect the fact that reaching the time limit had moved from a future possibility to a reality by the time local office directors were completing our survey. This and other implementation developments are expected to be the focus of future process study activities.

CHAPTER THREE

INPUTS TO WELFARE REFORM:

CLIENTS' CHARACTERISTICS AND IN-PROGRAM EXPERIENCES

Findings in the last chapter show that local welfare office directors and staff supported many key welfare reform goals and imply Indiana has made substantial progress in implementing welfare reform provisions. This chapter turns to the question of how reform has affected welfare recipients' experiences and perceptions.

Analyses presented here cover welfare recipients' exposure to key reform provisions. Data sources include the Indiana Client Eligibility System (ICES) and an early-1997 survey of 1,593 current and former recipients. Much of the analysis pertains to experiences of welfare recipients enrolled in the demonstration from May 1995 through May 1996.[34]

On the whole, material in this chapter suggests that many welfare recipients encountered new expectations concerning parenting and self-sufficiency responsibilities when they visited their local welfare office during the first two years of the Indiana reform. The intensity of these changes varied across the caseload—sometimes by design and sometimes because implementation was uneven.

The chapter begins, in Section 3.1, with a statistical portrait of the study population contrasting the characteristics of clients in key policy subgroups at the time they enrolled in the demonstration. The next four sections assess the exposure of clients who were randomly assigned to the evaluation's Welfare Reform group and fully subject to welfare reform provisions. They examine: rates of compliance with parenting provisions (Section 3.2); rates of work activity participation and sanctioning (Section 3.3); numbers reaching Indiana's 24-month time limits (Section 3.4); and the extent to which clients recalled having been told about key reform provisions (Section 3.5). Section 3.6 looks at how the experiences of clients randomly assigned to the evaluation's Traditional Welfare, or comparison, group differ from those in the Welfare Reform group. Section 3.7 summarizes the chapter's main findings.

[34] Impact analyses in Chapter 4 pertain to clients enrolling over a somewhat shorter period—May-December 1995.

3.1 CLIENT CHARACTERISTICS

From May 1995 through May 1997, the reform applied very different provisions to three subgroups: IMPACT-mandatory clients in the Placement and Basic Tracks, and clients exempt from IMPACT.[35]

Indiana's reform required all clients to sign a Personal Responsibility Agreement (PRA) and comply with personal responsibility provisions such as child immunization, school attendance rules, and the family cap. Those who were IMPACT-mandatory had to undergo a standardized job-readiness assessment and participate in employment and training activities. Additional provisions applied to *job-ready clients in the Placement Track*—a 24-month time limit on the adult portion of the grant, stricter sanctions, and extended eligibility for those who worked under a "zero-grant" policy. *Mandatory clients found not job-ready were assigned to the Basic Track* and, although they had to participate in IMPACT activities, were not subject to time limits and other Placement Track policies. Finally, *exempt clients* were subject to parenting provisions such as the family cap and immunization and school attendance rules.

Program impacts might differ across these three groups because they were subject to different policies or because their level of employability differed. Analysis of the three groups' characteristics helps in determining the extent to which variations in program impacts are attributable to variations in employability.

This section describes the characteristics of the full population of 60,908 families with one or more parent who were subject to welfare reform in Indiana at any time during the demonstration's first year (May 1995-May 1996).[36] Data about these characteristics come from administrative records from ICES and the Unemployment Insurance wage reporting system. Except where noted, characteristics measure clients' situations just prior to their demonstration enrollment.

---

[35] As explained in Chapter 1, IMPACT exemptions during this period were very similar to those in the federal Job Opportunities and Basic Skills Training (JOBS) program. The principal exemptions were for individuals caring for children less than age three and individuals who had an illness or incapacitating condition.

[36] The analysis in this section excludes the group of families randomly assigned to remain subject to traditional welfare rules under the experimental design for this evaluation. The analysis also excludes an additional 7,832 so-called "child-only" cases, families in which the dependent child's guardian is not himself or herself eligible for assistance. The sample analyzed in Sections 3.1, and 3.3-3.5 is representative of families statewide who enrolled in the demonstration between May 1995 and May 1996. This is a somewhat larger cohort than the sample included in the impact analysis in Chapter 4, which is limited to families enrolling between May and December 1995.

Characteristics of Mandatory and Exempt Clients

Clients are classified as "mandatory" here if automated records showed a mandatory status at either the beginning or end of the first 20 months of the reform (May 1995-December 1996). Just over half (54 percent) of the population (33,005 families) was mandatory by this definition.[37]

Exhibit 3.1's fourth and fifth columns compare characteristics of mandatory and exempt clients. Among allowed reasons for exemptions, the need to care for a young child was by far the most prevalent under policies in effect in Indiana up to 1997.[38] It therefore is not surprising to see (in the second panel of the exhibit) that a much lower percentage of mandatory (31 percent) than exempt (81 percent) families included children under three years of age.[39] Because women with young children tend to be younger themselves, the exhibit also shows that exempt clients were substantially younger, and had shorter previous welfare histories, than mandatory clients.

Educational attainment and work experience, on the other hand, appear to be quite similar for exempt and mandatory clients. Among both exempt and mandatory clients, six in ten had 12 years of completed education (see row for "years of school completed" towards the bottom of Exhibit 3.1). The fraction working in the six months before random assignment also was statistically indistinguishable for the two groups—just over four in ten. However, average earnings for these six months were slightly lower for exempt ($581) than mandatory ($622) clients, possibly because exempt clients were younger and had less work experience than mandatory clients. Differences are negligible for the remaining characteristics in the exhibit.

---

[37] Mandatory-exempt status is a dynamic attribute, since over time exemptions can both come (for example, with child birth) and go (for example, when a youngest child turns three). Of potential concern in the impact analysis, which also is based on the mandatory-exempt definition, is that clients randomly assigned to the Welfare Reform and Traditional Welfare groups for the impact study might not be equally likely to become mandatory over the 18-month period. The mandatory-exempt ratio in these two groups also might differ because the reform narrowed exemptions slightly for the Welfare Reform group. Such differences would affect the comparability of the two groups. Analysis shows very similar proportions classified as mandatory among members of the Welfare Reform and Traditional Welfare groups on the rolls in May 1995 (54 and 55 percent, respectively), but a somewhat higher proportion mandatory among Welfare Reform (51 percent) than Traditional Welfare (46 percent) group members who applied for benefits in the subsequent year. In the impact analyses, statistical regression adjustment substantially adjusts for slight biases that might arise from these compositional differences.

[38] These policies reflected rules governing exemptions nationally, as specified in the JOBS program created by the 1988 Family Support Act.

[39] A number of clients with children under age three did not qualify for the child care exemption by Indiana's rules, including: one parent in two-parent cases, single parents who had suitable caretakers for their children, mothers with family cap children, and teen (under age 20) mothers without a high school diploma. The percent of mandatory clients with young children seems somewhat higher than would be explained by these exceptions, though another explanation could not be found.

Exhibit 3.1
Characteristics of TANF Recipients Subject to Welfare Reform as of Demonstration Enrollment

Characteristic	Mandatory				Exempt
	Placement Track	Basic Track	Not Classified	All	
Demographic Characteristics					
Client's Age***†††					
Under 25	18.8%	28.8%	30.7%	26.0%	54.1%
25-34	52.3	45.7	45.0	47.8	33.7
35 and over	28.9	25.5	24.3	26.2	12.2
Age of Youngest Child***†††					
Under 3	21.6	30.7	40.5	31.5	80.5
3-4	24.4	22.0	18.1	21.3	7.7
5-12	44.9	38.1	32.5	38.2	8.7
13-17	9.1	9.2	8.9	9.0	3.1
Number of Children***†††					
1	38.0	36.8	36.5	37.1	38.5
2-3	52.3	50.7	52.8	52.1	50.5
4 or more	9.7	12.5	10.7	10.7	11.0
Number of Adults in Case***†††					
1	88.0	87.1	80.6	84.7	86.8
2	11.8	12.3	18.8	14.8	12.7
Race/Ethnicity***†††					
White	61.8	53.6	57.7	58.3	59.7
African American	34.7	40.9	37.1	37.1	35.6
Hispanic	2.8	4.5	4.4	3.9	4.0
Other	0.7	0.9	0.7	0.7	0.7
Percent of County Population in Urban Areas***†††					
Under 60	28.1	21.7	25.5	25.6	24.8
60-89	41.2	31.5	30.7	34.7	36.2
90+	30.7	46.8	43.8	39.7	39.0

(Continued)

Exhibit 3.1 *(Continued)*
Characteristics of TANF Recipients Subject to Welfare Reform as of Demonstration Enrollment

	Mandatory				
Characteristic	**Placement Track**	**Basic Track**	**Not Classified**	**All**	**Exempt**
Region***†††					
NW	32.8	31.1	28.8	30.8	29.0
NE	12.4	9.8	11.3	11.3	13.3
WC	17.9	32.0	30.5	26.3	28.6
EC	14.5	10.1	10.3	11.8	10.0
SW	14.3	10.2	11.7	12.3	10.9
SE	8.1	6.8	7.4	7.5	8.2
Attributes Related to Employability					
Years of School Completed***†††					
Under 12	23.7	61.4	41.5	39.5	38.4
12 or more	76.3	38.6	58.5	60.5	61.6
Months of Previous Cash Welfare Receipt***†††					
None	18.1	15.5	23.9	19.9	26.4
1-11	17.9	16.5	20.1	18.5	24.5
12-29	29.9	27.5	29.6	29.2	27.5
30 or more	34.2	40.5	26.5	32.4	21.6
Percent Physically Incapacitated**†††	1.8	2.3	2.1	2.0	4.5
Sample Size (Full Population)	11,901	7,410	13,694	33,005	27,903

(Continued)

Exhibit 3.1 *(Continued)*
Characteristics of TANF Recipients Subject to Welfare Reform as of Demonstration Enrollment

	Mandatory				
Characteristic	**Placement Track**	**Basic Track**	**Not Classified**	**All**	**Exempt**
Employment Prior to Enrollment (for Members of the Research Sub-sample)					
Worked During the Six Months Before Random Assignment?***					
Yes	48.9	34.6	42.4	42.8	44.1
No	51.1	65.4	57.6	57.2	55.9
Average Earnings for the Six Months Before Random Assignment***††	$681	$377	$720	$622	$581
Sample Size	3,033	2,030	3,732	8,795	5,788

DATA SOURCES: Administrative records from the Indiana Client Eligibility System and Unemployment Insurance wage records.

NOTES:
1. Population includes all families randomly assigned to the Welfare Reform group between May 1995 and April 1996.
2. A two-tailed t-test was applied to differences between the Placement and Basic Tracks. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.
3. A two-tailed t-test was applied to differences between mandatory and exempt clients. Statistical significance levels are indicated as ††† = 1 percent, †† = 5 percent, † = 10 percent.

Since the period covered by this analysis, Indiana has applied time limits and work requirements to more parents with young children. Given that levels of education and employment (if not earnings) were so similar for mandatory and exempt clients, it seems reasonable to expect newly-mandatory mothers with younger children to respond in a similar fashion to those with older children. The major question is whether mothers will be able to find child care of sufficient quantity and quality to support their IMPACT participation and subsequent employment.

Characteristics of Mandatory Clients in the Placement and Basic Tracks

Up to June 1997, Indiana's reform required mandatory clients to be assessed for job readiness using a standardized tool. Job-ready clients were assigned to a "Placement Track," where they were subject to the 24-month time limit and mainly expected to spend their time looking for work. During the first year, IMPACT assigned 62 percent of assessed clients to the Placement Track, and 38 percent to the Basic Track. The characteristics of families in these two groups differed in important ways.

The first two columns of Exhibit 3.1 show that 76 percent of Placement Track members had completed 12 or more years of school, compared to only 39 percent of Basic Track members. Nearly half (49 percent) of the Placement Track had worked sometime during the six months before random assignment, but only 35 percent of the Basic Track. Average earnings for the same period were 81 percent greater for clients in the Placement Track ($681) than for those in the Basic Track ($377).

These statistics reflect a strong emphasis on work experience and education in scoring the assessment information, which also incorporated weights for a variety of other family and personal difficulties. Because work experience and education are strongly related to age, race and other demographic characteristics, the two tracks also differed on a number of demographic characteristics. Statistics in Exhibit 3.1 show that compared with the Basic Track, Placement Track members tended to be older, to have older children, to be more often white, and to live more often in less urbanized areas.

Characteristics of Mandatory Clients Not Receiving a Track Assignment

Exhibit 3.1 suggests that a substantial fraction (41 percent) of mandatory clients had not received a track assignment by December 1996.[40] The most likely explanation is that early assessment backlogs associated with program start-up resulted in many clients leaving the rolls or obtaining an

[40] The percentage is based on the sample size row for the full population in the exhibit.

exemption before they could be assessed and given a track assignment. In addition, most local offices did not begin IMPACT assessments for at least several months after the formal initiation of other new reform provisions (for example, the PRA) in May 1995.[41]

Statistics in Exhibit 3.1 suggest that many of the unclassified clients left welfare before they could be assessed—in particular, the statistics show higher pre-random assignment earnings and shorter welfare histories for unassigned mandatory clients, compared with assigned mandatory clients (compare the first three columns of Exhibit 3.1). The exemption hypothesis also receives some support in the finding that 41 percent of clients missing a track assignment—but only 25 percent of clients with a track assignment—had children under age three.

The fact that these unassigned clients did not come into contact with the reform's most intensive provisions to the same degree as assessed clients does not necessarily mean the program had no effects on them. Indeed, clients may have left the rolls quickly in response to what they heard at intake and elsewhere about the new IMPACT policies.

After the initial backlogs cleared, anecdotal evidence suggests that assessment rates increased somewhat. An analysis of a small sample of IMPACT-mandatory clients who were authorized to receive benefits in Marion and Scott Counties in April 1996—one year after the reform's initial implementation—shows that about two-thirds (69 percent) of welfare recipients were quickly assessed (see Section 3.3 for details).

3.2 COMPLIANCE WITH PRA PARENTING PROVISIONS

This section reports statistics from ICES summarizing compliance with Personal Responsibility Agreement parenting requirements during the first two and a half years of Indiana's welfare reform. The PRA is a written statement outlining requirements designed to lead to self-sufficiency and promote personal responsibility. Parents and other caretakers are required to sign the PRA as a condition of eligibility for benefits. By signing, they agree to participate in IMPACT, acknowledge the family cap, and agree to the requirements regarding school attendance, immunization, and minor parent residence.

Caseworkers are required to present the PRA to all Welfare Reform group clients and make them aware that they will be sanctioned if they fail to sign it. Caseworkers are also responsible for

[41] See Fein *et al*. 1997, Chapter 2. It is possible that some of these clients were assessed but not given a Placement or Basic Track assignment. The ICES fields determining track assignment require manual entry of data beyond the assessment scores, and Central Office staff report that not all workers completed these fields.

monitoring whether or not clients meet PRA requirements. Caseworkers enter information into ICES, the State's computer tracking system, on whether clients have fulfilled the PRA requirements, received a good cause exemption, or received a sanction.

Statistics in this section represent point-in-time snapshots summarizing PRA compliance in each of five successive ICES extracts stretching from May 1995 to December 1997.[42] These point-in-time statistics summarize the percentages of clients statewide who did and did not meet each PRA requirement.[43] Each analysis focuses on the subset of individuals subject to a particular PRA provision.[44]

Compliance with Parenting Requirements

In general, compliance with PRA requirements was very high, and sanctions were rare, in each of the five months. However, it is not possible to tell from these results whether recipients: (1) altered their behavior to meet the PRA requirements, (2) would have met the requirements without the PRA, or (3) though not actually complying, were not recorded as noncompliant. Such questions fall into the domain of the impact study, which will be measuring behavioral impacts through experimental comparisons.[45]

PRA compliance and noncompliance rates are presented in Exhibit 3.2 for clients in the Welfare Reform group subject to each provision. As the exhibit shows, data were missing for a small percentage of cases. The incidence of missing data was highest in December 1995, perhaps because staff were still learning how to implement the PRA and record clients' compliance status in ICES.

---

[42] The snapshots refer to the following five months: December 1995, May 1996, December 1996, May 1997, and December 1997.

[43] ICES data needed to assess whether these same clients ever received PRA sanctions were not available for this analysis. However, analysis of self-reported sanctions in the client follow-up survey suggests that eight percent of IMPACT-mandatory clients, and six percent of IMPACT-exempt clients, received sanctions related to signing the PRA or PRA parenting provisions within their first 12 months of demonstration enrollment.

[44] For example, analyses of compliance with the immunization and school attendance requirements are restricted to recipients with children under age six, and between the ages of 7 and 17, respectively. Analysis of the requirement to sign the PRA is based on all caretakers—including those in child-only cases— because all caretakers were required to sign the PRA.

[45] The impact analyses in the present report are generally limited to economic outcomes. Future reports are expected to assess impacts on parenting behaviors and other non-economic outcomes.

Exhibit 3.2
Statistics for Personal Responsibility Agreement Provisions Pertaining to Personal and Parenting Behaviors: Open Cases Statewide in Different Months (Welfare Reform Group)

Provision	December 1995	May 1996	December 1996	May 1997	December 1997
Signing the Personal Responsibility Agreement					
Met requirement	87.4%	92.2%	92.4%	93.0%	92.8%
Sanction	1.2	0.9	1	1.0	1.1
Good cause exemption	1.5	1.7	1.9	2.0	1.9
Missing information	9.9	5.2	4.7	4.1	4.3
Number of cases subject to requirement	46,474	45,370	41,158	38,351	39,004
School Attendance Requirement					
Met requirement	89.9%	92.7%	92.1%	91.6%	92.8%
Sanction	1.2	1.7	1.6	2.3	0.9
Good cause exemption	0.6	0.9	0.8	1.0	2.0
Missing information	8.3	4.6	5.5	5.1	4.3
Number of cases subject to requirement	36,774	35,630	33,070	31,247	31,842
Immunization Requirement					
Met requirement	89.5%	93.8%	94.8%	94.9%	94.4%
Sanction	2.9	2.3	1.6	1.7	1.9
Good cause exemption	0.3	0.3	0.3	0.3	0.3
Missing information	7.3	3.6	3.3	3.1	3.4
Number of cases subject to requirement	40,299	39,632	35,480	32,788	34,094
Minor Parent Cases					
Percent living with adult	76.6%	77.8%	75.4%	77.0%	76.2%
Percent with good cause exemption	21.9%	20.1%	22.6%	20.9%	19.6%
Number of minor parents	962	1,078	1,107	1,032	1,105
Number of assistance groups with minor parent	947	1,058	1,093	1,024	1,096
Percent of assistance groups with minor parent	1.9%	2.2%	2.5%	2.5%	2.8%
Family Cap					
Number of family cap children	0	182	1,511	2,193	3,418
Number of assistance groups with family cap child	0	179	1,484	2,161	3,285
Percent of assistance groups with family cap child	0.0%	0.4%	3.4%	5.3%	8.3%

DATA SOURCE: Administrative records from the Indiana Client Eligibility System .

Signing the PRA. Parents and caretakers assigned to the Welfare Reform group are required to sign the PRA or, in the absence of a good cause exemption, face a $90 reduction of their TANF grant. Compliance rates were very high. For each of the five extract months between December 1995 and December 1997, the top panel of Exhibit 3.2 shows the percentage of parents or caretakers who signed the PRA, did not sign the PRA and either received a sanction or a good cause exemption, or were missing PRA information.

Statistics not shown in the table suggest that a substantially higher fraction of parents than caretakers sign the PRA. In December 1997, 96 percent of parents signed the PRA, whereas only 83 percent of caretakers did so. It may be that case workers were less likely to have caretakers sign the PRA because some PRA provisions do not apply to caretakers and because there is no penalty for noncompliance (since caretakers are generally not eligible recipients). Also, caretakers were more likely to receive a good cause exemption—five percent of caretakers, compared to less than one percent of parents. The proportions sanctioned or with missing information were similar across the two groups.

School attendance requirement. The PRA requires that parents ensure that school age children who do not have a high school diploma or GED certificate have "satisfactory" school attendance. Prior to June 1997, the definition of satisfactory attendance varied widely because it depended on each school corporation's attendance policies. Beginning in June 1997, when the State standardized the number of allowable absences, a child was considered in compliance if he or she had no more than three unexcused absences during the semester or grading period.

The recorded percentage of cases in compliance with the school attendance requirement is high for the months May 1996 through December 1997, but slightly lower for December 1995 as a result of somewhat more missing data. The percentage of children who received a sanction fell and the percentage who received a good cause exemption rose in December 1997 compared with the four earlier extract months. Because December 1997 was the first month that captured compliance rates after the school attendance policy change took effect, the difference in sanction and good cause rates from earlier months may reflect a difference in the way workers approached and implemented the new policy. Further analysis might reveal whether these changes represent a new trend.

Immunization requirement. Parents and caretakers are required to ensure that each child in the TANF unit receives the immunizations recommended by the American Academy of Pediatric Physicians. Failure to comply with this requirement results in a sanction of $90 per month for each month of noncompliance. This welfare reform requirement affects pre-schoolers (that is, children under age six). School-aged children are required to be up to date on their immunizations as a condition of attending school.

Like other PRA elements, compliance with the immunization provision was very high in each of the months analyzed, and good cause exemptions were extremely rare (less than one percent in December 1997).

Minor parents. Starting in May 1995, Indiana's welfare reform required minor parents to live with a relative, a responsible adult, or in a supervised living arrangement as a condition of eligibility. The rules were tightened in June 1997, to require residence with a parent, stepparent, grandparent, or legal guardian.

The number of minor parents receiving cash assistance has ranged from a low of 962 in December 1995 to a high of 1,107 in December 1996. Although the percentage of cases meeting this living arrangement requirement is high (more than 75 percent in each month), the percentage of good cause exemptions is higher for this provision than other PRA requirements (approximately 20 percent).

The percentage receiving a good cause exemption has changed relatively little over the two-year period. This stability, and the constancy of numbers of minor parents in 1997, do not suggest that the June 1997 policy change limiting allowable living arrangments had an immediate effect on living arrangements.

Family cap births. The family cap eliminates the incremental increase in benefits for children conceived while their mothers were receiving TANF.[46] Because children born to TANF mothers could be affected by the family cap only beginning in March 1996, Exhibit 3.2 does not show any family cap births until May 1996. The period May 1996 through December 1997 shows a steep and steady increase in family cap births. The increase most likely reflects growth in the number of women on welfare long enough to have family cap births, rather than any increase in fertility.

By December 1997, 3,418 children in TANF households had been born to mothers who became pregnant while receiving TANF benefits and so were subject to the family cap. Eight percent of assistance groups (3,285 in total) had a family cap birth. The number and percentage of assistance groups with family cap children also increased from May 1996 to December 1997.

A small proportion of cases already had more than one birth under the family cap policy by December 1997. Of the 3,285 assistance groups with a family cap child in December 1997, 133 had two or more family cap children.

[46] Exceptions to this rule included situations where the child was born as a result of sexual assault, the child is not living with his or her parent, or the child was conceived in a month that the family was not receiving TANF.

3.3 PARTICIPATION IN EMPLOYMENT AND TRAINING (E&T) ACTIVITIES

The employment and training services provided by Indiana's IMPACT program lie at the heart of the State's welfare reform strategy. As discussed in the last chapter, a defining aspect of the reform has been a shift to a more work-oriented approach based on job search and related services. From May 1995 through May 1997, the program design placed the greatest emphasis on employment for job-ready clients assigned to the Placement Track.

Statistics on the degree and nature of participation in employment and training activities best captured the intensity of this emphasis. This section presents statistics on participation through May 1997 for IMPACT-mandatory clients randomly assigned to the Welfare Reform group during the demonstration's first year. Section 3.6 discusses E&T experiences of clients randomly assigned to the Traditional Welfare group.

Participation and Sanction Patterns in the Welfare Reform Group

Within the Welfare Reform group, administrative data from ICES summarized in Exhibit 3.3 show that clients in the Placement Track were substantially more likely to be assigned to work activities (mainly job search) than those in the Basic Track. The exhibit's second row shows that from May 1995 through May 1997, 51 percent of clients in the Placement Track, and 29 percent of those in the Basic Track, received at least one work activity assignment. In contrast, the assignment rate for education and training activities differs little between the two groups—28 and 25 percent, respectively, for the Placement and Basic Tracks.

As discussed in Section 3.1, a substantial fraction of first-year enrollees—the population studied in this report—did not receive a Placement-Basic Track classification. The relatively low percentage (twelve percent) of "not classified" clients receiving E&T assignments confirms that this group had less involvement in IMPACT (see the third column of Exhibit 3.3).

Assignment rates for IMPACT-exempt clients are even lower, suggesting that voluntary participation in E&T was rare. Only six percent of exempt clients received an E&T assignment during the first two years of the demonstration.

Actual participation in activities might be lower than these system-recorded assignment rates, since not all clients receiving assignments actually showed up for their activities. Questions on actual participation from the early-1997 client follow-up survey provide an approximate way to check patterns in administrative records for assignments. Statistics in Exhibit 3.3's bottom panel are

Exhibit 3.3
Rates of Employment and Training Participation and Sanction Receipt Through Early 1997: Subjects Enrolling in the Demonstration from May 1995-April 1996

	Welfare Reform Group					Traditional Group	
	IMPACT-Mandatory						
Program Outcome	**Placement Track**	**Basic Track**	**Not Classified**	**All Mandatory**	**IMPACT-Exempt**	**IMPACT-Mandatory**	**IMPACT-Exempt**
Ever Received IMPACT Assignment by 5/97 (ICES)							
Any activity	59.9%	40.8%	11.9%	34.6%	5.6%	25.6%	6.5%
Work activity	50.6	28.6	8.4	27.2	3.7	18.9	4.4
Education or training activity	27.8	24.9	6.2	17.8	3.1	14.7	3.2
Sample size	3,541	2,420	4,595	10,556	6,137	1,835	1,144
Ever Participated in IMPACT or Sanctioned (1/97-3/97 Survey Interviews)							
Any activity	43.0%	37.9%	21.1%	32.2%	7.3%	22.5%	4.8%
Work activity	36.5	23.2	16.4	24.9	4.6	14.2	3.2
Education or training activity	12.5	19.9	10.2	13.0	2.2	11.6	2.5
IMPACT sanction	18.9	22.2	14.7	17.7	2.1	13.9	3.8
Sample size	143	81	181	405	231	391	237

DATA SOURCES: Administrative records from the Indiana Client Eligibility System and data from 1997 client follow-up survey.

remarkably close to the mid-1997 ICES assignment rates in the top panel. Among IMPACT-mandatory clients, 32 percent of survey respondents reported attending an IMPACT E&T activity, compared with the 35-percent ICES assignment rate.

The client follow-up survey also collected data on IMPACT sanctions.[47] By early 1997, 18 percent of mandatory respondents said they had been sanctioned for not participating in E&T or looking for work, with similar fractions of clients in the Placement Track (19 percent) and Basic Track (22 percent) reporting sanctions. Few IMPACT-exempt survey respondents reported receiving sanctions.

On the other hand, a substantial fraction of "unclassified" clients (15 percent) reported IMPACT sanctions. These statistics suggest that another reason for not receiving a track classification may have been failure to appear for assessment when notified.

What Happened to Clients Who Didn't Receive an Activity Assignment?

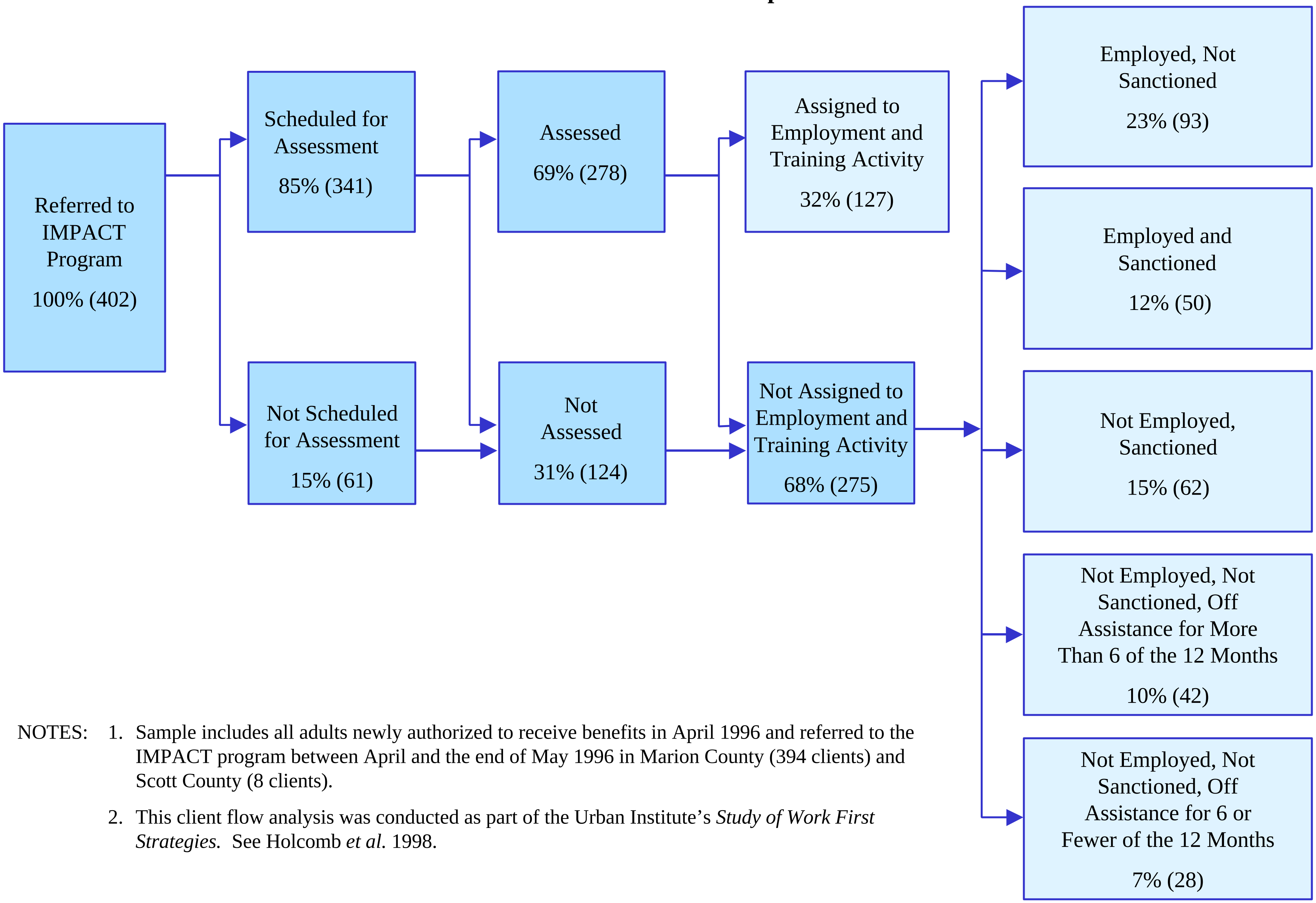
Although they comprise a vital part of the record on program experiences, ever-assignment and sanctioning statistics do not directly indicate the intensity of program enforcement because, over time, many IMPACT-mandatory clients take jobs and leave welfare rather than participate in E&T activities. An assessment of the forcefulness of participation requirements therefore must account for such clients.

This section reports results of a preliminary analysis that tracked activity assignments, sanctions, and employment for a sample of IMPACT-mandatory adults over a 12-month period. The sample represents a small slice of the first-year sample analyzed in the preceding section—402 IMPACT-mandatory adults approved for cash assistance in April 1996 in Marion County (394 recipients) and Scott County (8 recipients). It is important to note that the experiences of such clients might differ from those of the main sample because, by virtue of their late enrollment in the reform, they likely experienced a program that had moved past start-up difficulties (for example, assessment backlogs). Another caveat is that the employment measured in this analysis reflects only work reported to ICES, and likely understates jobs taken by adults who left public assistance

Exhibit 3.4 shows that the vast majority (85 percent) of the sample was scheduled for assessment and that 69 percent actually had an assessment performed. If all of these assessed clients received a Placement or Basic Track classification, these statistics would imply a somewhat higher classification rate than the 59 percent rate reported in Section 3.1 for the entire first-year cohort. The

[47] Sanction data from ICES were not available for analysis at the time this report was prepared.

Exhibit 3.4
Flow of a Sample of Clients Through the IMPACT Program and Status After 12 Months of Follow-Up



NOTES:
1. Sample includes all adults newly authorized to receive benefits in April 1996 and referred to the IMPACT program between April and the end of May 1996 in Marion County (394 clients) and Scott County (8 clients).
2. This client flow analysis was conducted as part of the Urban Institute's *Study of Work First Strategies*. See Holcomb *et al.* 1998.

difference might suggest processing effort or efficiency or both improved after lengthy backlogs began to abate at the end of the program's first year. However, it is also possible that workers did not always enter a track assignment for all the clients they assessed.[48]

Just under one third (32 percent) of the Marion-Scott sample received at least one E&T activity assignment over the 12-month period. This figure is nearly as high as the 34-percent rate reported for a somewhat longer follow-up period for first-year demonstration enrollees statewide, which also suggests increased processing efficiency in the program's second year.

About two-thirds (68 percent) of the overall Marion-Scott sample (275 clients) did not receive an E&T assignment within 12 months of IMPACT referral. Exhibit 3.4 suggests that these were not, for the most part, clients who "fell through the cracks." Of the 275 who did not receive an activity assignment, 75 percent either were working or had received an E&T sanction by the end of the year.[49]

Only 17 percent of the 402 applicants had no record of an E&T activity, sanction, or employment by the end of the 12-month follow-up period. Of these, a substantial fraction no longer were receiving welfare: in all, only seven (7) percent of the overall sample received welfare for more than six of the 12 months without an activity, sanction, or employment. The implication is that, by the second year of Indiana's welfare reform, relatively few IMPACT-mandatory clients were falling through the cracks or avoiding participation.

3.4 CLIENTS REACHING THE 24-MONTH TIME LIMIT

Information on the number of clients reaching time limits provides crucial documentation on a reform element likely to influence program impacts. In early field work, local welfare office staff felt time limits were too remote to have much effect on welfare recipients' behavior, but staff left open the possibility that behavioral responses might emerge as limits grew nearer. Also, once some clients began reaching limits, others clients might be led to take the consequences more seriously. Clients who do reach the limits will experience automatic reductions in their assistance checks from removal of the adult from the grant and might also renew efforts to find work and leave assistance.

[48] A separate manual step was required to effect a Placement-Basic Track assignment. Failure to enter the track assignment in ICES might arise through oversight or to postpone the point that time clocks began ticking.

[49] Twenty-eight (28) percent of the 402 applicants received a sanction over the 12-month follow-up period. This rate is somewhat higher than the 18 percent sanction rate for the entire first-year cohort reported in the last section, another hint that program effort or efficiency or both may have increased in the second year.

This section reports early statistics on the numbers of clients reaching Indiana's 24-month time limit and provides a descriptive assessment of ensuing changes in their average payments and continued receipt of welfare. A brief review of the design of time limits provides useful background for interpreting such statistics.[50]

Changes in the Structure of the 24-Month Time Limit

The original design of Indiana's welfare reform—that is, prior to June 1997—applied time limits only to adults found job ready and assigned to the Placement Track. The State counted all months—regardless of assistance receipt—against the 24-month limit. Upon reaching the 24-month time limit, adults became ineligible for cash assistance for 36 months, although they remained eligible for Medicaid and food stamps, and their children retained full eligibility. The intent of the 24-month time limit is to send a strong message to adults that welfare use should be transitional, while avoiding more severe financial stresses on children that might occur under a full-family cut-off.

Starting in June 1997, the 24-month time limit changed in two important ways. First, the 24-month limit was extended to cover *all* mandatory clients, not just those who were relatively job ready.[51] Second, only months of actual assistance receipt were counted against the limit —these were added to any months previously accrued under the original "consecutive" counting scheme.[52]

[50] With submission of its TANF plan in October 1996, Indiana also began counting time against the federal five-year time limit for most families. In accordance with federal law, families who exhaust five years of assistance will be permanently ineligible for TANF. Unlike the initial 24-month limits, only months of actual eligibility counted towards the five-year time limit from the very start. By the December 1997 cutoff period for this report, the maximum time families could have accumulated on the five-year clock was 15 months. Future reports will assess build-up of time on five-year clocks.

[51] In addition, the definition of "mandatory" was expanded to include clients with children between the ages of one and three.

[52] By December 1997, clients assigned to the Placement Track in the reform's first year (May 1995 to April 1996) had been exposed to the original "consecutive months" counting policy for 12 to 24 months (depending on when they enrolled during the year), and to the ensuing "cumulative months" scheme for another six months.

Number of Clients Reaching Time Limits by December 1997, and Ensuing Changes in TANF Payments and Eligibility

By December 1997, Indiana had enforced the 24-month time limit for 978 families. Hardly any extensions were requested by this time.[53] These 978 families represent 17 percent of the 5,741 families containing an adult assigned to the Placement Track between May 1995 and January 1996 (the only adults who could have reached the 24-month limit by December 1997).

Actually reaching time limits could have both direct and indirect effects on welfare payments. The direct effect arises from removal of the adult from the grant.[54] Indirect effects also could result if assistance reductions (1) led families to increase earnings while continuing welfare for their children, or (2) prompted families to leave assistance entirely. The latter could occur because time limits encouraged increased earnings, because it increased the hassles while reducing the benefits of continued welfare, or for a combination of these reasons.

Exhibit 3.5 shows average total payments and percent remaining eligible for TANF for the four months preceding the month these 978 families reached the time limit, the month they reached the time limit, and the five months after they reached the time limit. Average total payments are calculated for all families in each post-time limit month, including those who left assistance (for whom a zero payment is included in calculating the average). Although the two outcomes shown in the exhibit employ different measurement units (percent on welfare and dollars of receipt), they are scaled to have the same initial starting points. Such scaling allows visual comparison of the relative pace of declines in welfare receipt and payments.

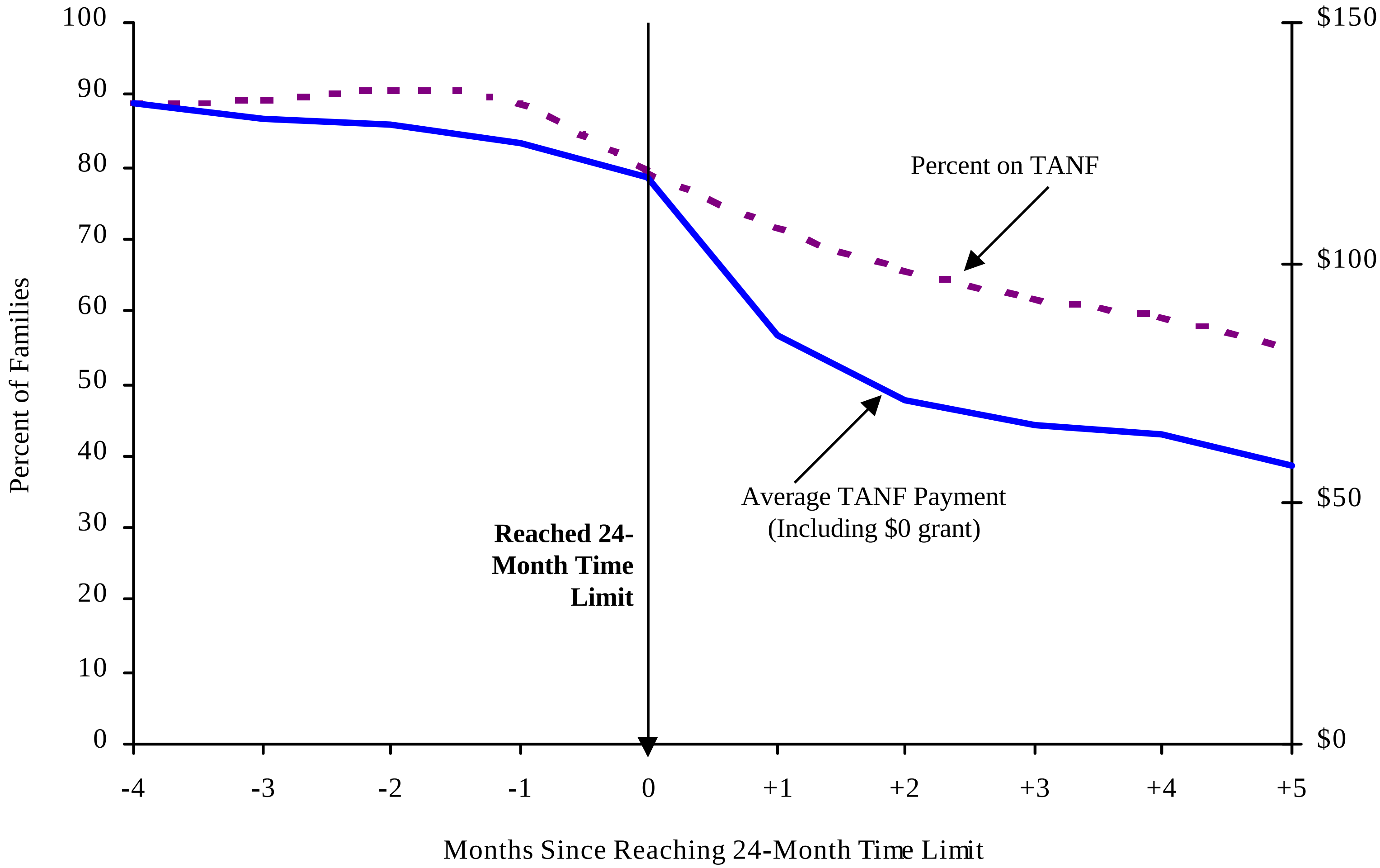
The solid line shows a dramatic decline in average total payments starting in the month families first reached time limits (month zero in Exhibit 3.5). Compared with the month before families reached the time limit (in which the average payment was $125), average payments fell $54 (43 percent) by the end of the first three months, and $67 (54 percent) by the end of the first five months after families reached time limits.

Over the same time interval, the dashed line in Exhibit 3.5 shows that a substantial fraction of these families left welfare altogether. The 23 percentage point drop in eligibility over the first three months (compared with 89 percent in the month prior to month zero) represents a 26 percent proportionate decline, and the proportionate decline percent for the entire five months is 38 percent.

[53] State officials told evaluation staff that only 2 extensions to time limits had been requested by December 1997. Generally, extensions are available only in limited circumstances, primarily when DFC does not provide the services specified in an individual's self-sufficiency plan.

[54] If the adult already was under an employment and training sanction (entailing removal from the grant and loss of Medicaid), no further payment reduction was imposed.

Exhibit 3.5
Welfare Receipt and Payments Before and After Families Reached Indiana's 24-Month Time Limit



DATA SOURCE: Indiana Client Eligibility System data for 978 families reaching 24-month limit by December 1997.

Although both series of statistics show marked declines in welfare payments and receipt, the declines cannot be attributed only to time limits. Over time, many welfare recipients find jobs and leave the rolls without special policies, reducing average payments and receipt for the group as a whole.

Normal welfare dynamics notwithstanding, the declines in Exhibit 3.5 appear to be unusually large. The proportionate decline in welfare receipt for the Placement Track as a whole was only nine percent from follow-up quarters six to seven, and eight percent from quarters seven to eight—much smaller than the average quarterly decline of 19 percent (half of 38 percent) in each of the two quarters following time limits.[55]

The impact estimates in Chapter 4 for the entire Placement Track do not reflect the effects of actually reaching time limits, because the estimates cover only the first eight quarters after demonstration enrollment. Analyses in future evaluation reports are expected to assess the degree to which net TANF impacts grow after clients reach the 24-month time limits.

3.5 CLIENT-REPORTED EXPOSURE TO WELFARE REFORM RULES

A chief function of time limits and other welfare reform provisions is to encourage clients to take responsibility for their own and their children's lives. A minimum necessary condition for such effects to transpire is that workers effectively convey the new rules to clients. This section assesses the degree to which clients subject to welfare reform said they had been told about key welfare reform rules. Section 3.6 discusses the results for clients randomly assigned to the Traditional Welfare group.

Measures from the Client Follow-up Survey

Exposure to a variety of welfare reform provisions was measured—along with a wide number of other topics—in an early-1997 follow-up survey of a stratified random sample of 1,593 families who had received welfare sometime during the first year of the reform. The sample included roughly equal numbers of clients in the Welfare Reform and Traditional Welfare groups, and of clients still on welfare and those who had left the rolls. Telephone interviews, with in-person follow-up, were

[55] For the Placement Track as a whole, the proportions remaining eligible for assistance were .308, .279, and .254 in follow-up quarters 6, 7, and 8, respectively. The comparison is not perfect, given that families reaching time limits constitute only a small fraction of the Placement Track. However, it seems unlikely that clients reaching the 24-month limit would display larger declines than the group as a whole, absent time limits.

used to achieve a 71 percent response rate. The survey questions assessed in this section asked respondents whether they had signed a PRA, and whether someone in the welfare office had told them about a series of reform requirements.

The resulting statistics, although illuminating, must be interpreted carefully given the potential biases in self-reports of program experiences. Clients' initial clarity and recall of events in question are likely to vary a great deal. Some respondents may "guess" when they are uncertain to avoid appearing uninformed. Other clients may report what they believe based on national news or what they heard "on the street," rather than the message from the welfare office. Finally, many clients left welfare shortly after random assignment, and such clients had relatively little opportunity to hear about the new reform policies.

What Clients Reported Being Told

The first column of Exhibit 3.6 shows that most clients in the Welfare Reform group reported signing the PRA and said they were told about key welfare reform provisions. The highest rates of reported exposure were to the immunization requirement and to the education and training participation requirement. Fully 80 percent of respondents with children under age six said they had been asked to document their children's immunization status, and 70 percent of IMPACT-mandatory respondents knew they could be sanctioned for failure to participate in an education or training activity. In comparison, only 28 percent of respondents with school-aged children said they had been told about the school attendance requirement. Just over half (55 percent) of respondents reported they had been told their benefits would not increase if they had another child conceived while they were receiving welfare.

Nearly seven in ten respondents (68 percent) said they had signed a Personal Responsibility Agreement. This figure is substantially lower than ICES statistics reported in Section 3.2, which show that nearly 100 percent of clients with non-missing data had signed the PRA. The discrepancy suggests that, when clients are asked in retrospect, the PRA may not stand out substantially from other forms completed during eligibility interviews. The lack of salience likely relates to the cursory approach to the PRA adopted by many eligibility workers—site visits conducted in Spring 1996 suggested workers typically spent only five to ten minutes on the PRA with clients.[56]

[56] See Fein *et al*. 1997, Chapter 2. These site visits also suggested relatively weak follow-through in enforcing the school attendance requirement compared to other PRA provisions. The survey finding of relatively little exposure to the school attendance requirement suggests even weaker implementation of the provision than was reported in the earlier report.

Exhibit 3.6
Exposure to Welfare Reform Provisions Reported in the Client Follow-up Survey

	Percent of		Sample Size	
Outcome	**Welfare Reform Group**	**Traditional Welfare Group**	**Welfare Reform Group**	**Traditional Welfare Group**
Percent Saying They Signed PRA***	68.4	52.7	635	627
Percent Saying Welfare Office Told Them About:				
School attendance rules (clients with a child aged 6-17 at baseline)**	28.0	21.0	417	377
Immunization requirement (clients with a child under age 6 at baseline)***	80.3	67.1	369	398
Family cap***	55.5	35.6	636	627
Education and training participation requirement				
All mandatory***	78.3	62.8	405	390
Placement track	87.3	n/a	143	n/a
Basic track	85.1	n/a	81	n/a
Not assigned	68.1	n/a	181	n/a
Requirement to look for work				
All mandatory***	69.3	59.1	405	390
Placement track	77.1	n/a	143	n/a
Basic track	67.3	n/a	81	n/a
Not assigned	64.1	n/a	181	n/a
Two-year time limit				
All mandatory***	69.2	43.4	405	390
Placement track	82.5	n/a	143	n/a
Basic track	68.2	n/a	81	n/a
Not assigned	59.2	n/a	181	n/a

NOTES:
1. Sample is drawn from the populations of ongoing recipients and applicants from May 1995-April 1996.
2. A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

Exposure to job search requirements and time limits differed significantly for respondents from the Placement and Basic Tracks. Overall, close to seven in ten IMPACT-mandatory respondents (69 percent) said someone in the welfare office had told them they would have to look for a job and that they would be eligible for cash welfare for only two years. As expected, percentages reporting exposure to these policies were quite high for clients in the Placement Track (77 and 83 percent, respectively) and somewhat lower for those in the Basic Track (67 and 68 percent, respectively).[57, 58]

It is striking that so many members of the Basic Track—who were not subject to the 24-month limit at the time of the survey—indicated that they had been told they were subject to this policy. The finding reinforces reports from other states of widespread confusion concerning the details of time limits.[59] Such confusion could have arisen from many sources, including: what respondents had heard outside the welfare office (for example, from friends or the media), incorrect communication of policies by workers, or confusion with Indiana's recently-adopted federal five-year time limits, which did apply to nearly all respondents.

3.6 Exposure of the Experiment's Traditional Welfare Group to Welfare Reform

The depth of systemic changes in public assistance and extent of media coverage of welfare reform have raised considerable skepticism about whether it is possible to maintain a valid counterfactual environment in comprehensive welfare reform experiments. Although the challenges of preserving a pristine traditional AFDC environment certainly have grown, many otherwise well-informed observers have overreacted to the problem by suggesting that experiments cannot be useful if they do not achieve this standard. Many previous experiments have generated extremely useful

[57] Under Indiana's "Work First" approach, office-level job placement quotas give local welfare staff strong incentives to find jobs for clients in the Basic Track, as well as those in the Placement Track. Interviews conducted for the evaluation's process study found that the Work First message pervaded IMPACT workers' communication with all the clients they saw. There are several channels by which clients may have heard about time limits from welfare workers, even beyond any message heard from the media or on the street. Under the original IMPACT policies, workers correctly may have told clients that they could be subject to time limits based on a later (re-)assessment, or that the State's policies were going to extend two-year limits to the vast majority of clients starting in June 1997, or that the federal five year limits, which applied to nearly all families not in child-only cases, were retroactive to October 1996.

[58] IMPACT-mandatory respondents who never received a Placement or Basic Track assignment were substantially less likely than those who did to report being told about education and training requirements (68 percent); job search requirements (64 percent); or time limits (59 percent).

[59] See Bloom and Butler (1995) and Fein and Karweit (1997).

findings, despite less-than-perfect implementation of their treatments. Researchers recognize that it is useful to know what a given realization of a policy accomplishes, *assuming its nature is reasonably well-understood.* By the same token, experimental evidence based on substantively important treatment-control differences deserves credence even when the control environment has not remained stable, *provided these differences are well-documented*.

This section documents exposure to various aspects of Indiana's welfare reform experienced by clients in the experiment's Traditional Welfare group. Subsections address the degree to which parenting provisions were enforced, patterns of employment and training participation, and interactions with welfare office workers.

Differences in Enforcement of PRA Parenting Provisions

Under Indiana's welfare reform demonstration, only TANF recipients randomly assigned to the Welfare Reform group are subject to PRA parenting requirements. Recipients assigned to the Traditional Welfare group are subject neither to PRA requirements nor to its associated sanctions. ICES programs prevent workers from bringing up screens related to these reform policies for clients in the Traditional Welfare group. The system thereby prevented both automated monitoring of PRA status and any imposition of sanctions for noncompliance with parenting provisions.

Analysis of ICES data confirms that these safeguards operated as intended and that Traditional Welfare group members were not being sanctioned for noncompliance with any of the PRA requirements. Similarly, family cap or minor parent residence requirements were not being applied to this group. ICES safeguards notwithstanding, evaluation staff found during site visits that some workers verbally encouraged clients in the traditional welfare group to meet PRA parenting standards. Since then, the State has implemented training and procedural measures to strengthen the prohibition on such communications.

Differences in Patterns of E&T Participation and Enforcement of Time Limits

Indiana's demonstration was not designed initially to capture the full effects of the IMPACT program, but only of changes in employment and training triggered by reform provisions requiring federal waivers. A number of waiver provisions might be expected to influence both the intensity and types of E&T activities.

For example, stricter sanctions, time limits and the zero-grant policy for Placement Track members may have placed greater emphasis on IMPACT participation and increased the emphasis on work activity assignments. In addition, procedural changes related to the new provisions likely had a role. For example, new referral processes automatically assigned every mandatory Welfare Reform group member to an IMPACT worker at intake, whereas ICES continued to assign members of the Traditional Welfare group to a waiting pool to be served as IMPACT workloads permitted.[60]

Exhibit 3.3 shows that some differences in participation patterns resulted. Over the first two years, 26 percent of IMPACT-mandatory clients in the traditional group received an IMPACT assignment, compared with 35 percent of the Welfare Reform group. The difference mostly arises from a lower rate of work activity assignment among Traditional Welfare (19 percent), compared with Welfare Reform (27 percent), group members.[61]

Finally, ICES enforced a complete prohibition against tracking and enforcing time limits for members of the Traditional Welfare group. Although this prohibition means this group cannot lose benefits due to time limits, it does not guarantee they will understand that they are not subject to time limits, as emphasized in survey responses reported in the next subsection.

Differences in What Clients Remembered Being Told by Workers

Traditional Welfare group members responding to the early-1997 follow-up survey were consistently less likely than their counterparts in the Welfare Reform group to report having signed the PRA or to have been told they were subject to specific welfare reform requirements. Inspection of the first two columns of Exhibit 3.6 suggests that the difference in percentages exposed between the Welfare Reform and Traditional Welfare groups varied across provisions. The difference was largest for time limits (26 percentage points); moderate for the family cap (20 percentage points) and PRA (16 percentage points); and smallest for the school attendance requirement (seven percentage points).

The smaller difference for school attendance rules reflects the relatively low percent of Welfare Reform group members exposed to this policy. In proportionate terms, exposure to the school attendance rule was 33 percent greater for Welfare Reform than Traditional cases (that is, 7 percent divided by 21 percent). Exposure was greater for Welfare Reform than Traditional cases

---

[60] The Traditional Welfare group's small size, and substantial pressure to assess and serve Traditional Welfare group members, also may have diminished the urgency associated with serving the former. At the same time, job placement quotas set by the Central Office credited job placements without regard to demonstration status, creating an incentive to serve the Traditional Welfare group.

[61] The self-reported rate of sanction receipt also is somewhat higher for Welfare Reform (18 percent) than Traditional Welfare (14 percent) group members. However, this difference is not large enough to be statistically significant.

by 59 percent for the two-year time limit, by 56 percent for the family cap, by 30 percent for signing the PRA, and by 20 percent for the immunization requirement.

As noted earlier, these figures must be interpreted carefully in light of the biases that can affect self-reported experiences. In particular, questions in the survey strongly favored affirmative responses by members of both groups who may have been less than certain what they were told and who told them.[62] The findings indicate the experiment achieved reasonably strong differentiation in "exposure" to new welfare reform rules. However, results also suggest that many in the traditional group were led by what they heard in offices, in the media, or on the street to believe they were subject to parts of the reform.

More Welfare Reform than Traditional Welfare group respondents also indicated they had been told about education and training and job search requirements, even though clients in the Traditional Welfare group also were subject to these requirements. It should not be surprising that the "Work First" message was imparted more forcefully to the Welfare Reform group, given the new urgency associated with IMPACT referral, track assignments, time limits for the Placement Track, and other special policies.

3.7 SUMMARY

Statistical analyses in this chapter provide grist for understanding how the changes brought by welfare reform might influence key outcomes. This section reviews the main findings.

Client characteristics. The policies in effect through most of the period covered by this report placed the most emphasis on relatively job-ready clients, who were identified from the IMPACT-mandatory pool using a standardized assessment tool. Statistical analysis confirms that clients assigned to the Placement Track were much better educated and work-experienced than those assigned to the Basic Track. At the same time, statistics for characteristics suggest that a substantial number of IMPACT-mandatory clients did not receive a track assignment because they left welfare

[62] An alternative approach was tested in a recent Abt survey of 1,609 Delaware welfare recipients and former recipients. Respondents were asked to give true-false answers to whether each of a series of reform provisions applied to them. The items included four actual and four fictitious policies (e.g., mandatory dental check-ups, drug tests) and actual policies were presented alternatively in true and false formats. An average of 25 percent of treatment, and 18 percent of control, group members opted for the fictitious policies as "true." Data on fictitious policies help to isolate the "guesswork" factor in responses to policy exposure questions, since respondents are not expected to have heard much about these policies on the street. When "noise" from the street is factored in, the prevalence of false positive answers can be expected to rise, especially if questions are phrased in a way where an affirmative answer seems socially desirable (for example, respondents desire to be perceived by interviewers as knowledgeable). Future Indiana surveys will test refined measures of knowledge and policy exposure.

or obtained an exemption during the relatively lengthy wait to assessment that characterized the start-up phase of the demonstration. Although this effect was not intended, a positive implication may be that fewer program resources were expended on clients who did not need them than might otherwise have been the case.

Many other clients qualified for IMPACT exemptions during the first two years of the reform, mostly to care for children under age three. Although such recipients have substantial child care needs, they otherwise appear to be just as employable as their IMPACT-mandatory counterparts. These findings suggest that the major new challenge associated with phased-in elimination of most exemptions for child care after June 1997 will be providing adequate child care.

Compliance with PRA parenting rules. During the first two-year period covered by this report, Indiana implemented several basic changes in its welfare program. Analysis of ICES data on the new parenting provisions suggests that workers registered noncompliance with PRA immunization, school attendance, and teen residence requirements relatively infrequently. The message such statistics convey is not immediately clear—they could signal a high level of compliance, difficulty verifying noncompliance, a reluctance to impose penalties, or some combination of these. The numbers are informative on the extent to which families' financial situations were directly affected by PRA sanctions and the family cap, however.

Intensity of employment and training requirements. Employment and training statistics suggest that six in ten Placement Track members and four in ten Basic Track members had received assignments by May 1997. Members of the two groups received education and training assignments at roughly the same rate, but, as expected, work assignments were markedly greater for Placement Track members than for Basic Track members. About one in five clients in each group reported they had received a sanction for noncompliance with IMPACT requirements.

Considering E&T assignments, sanctions, and employment jointly for a sample of applicants in Marion and Scott Counties reveals that the program's effective coverage was fairly high. After 12 months of follow-up, only seven percent of the group was still on welfare and had not been assigned to an activity, sanctioned, or employed sometime during the year.

Reaching 24-month time limits. By December 1997, the State had imposed grant reductions for 978 families who had reached the 24-month time limit. Preliminary descriptive analyses show that cash payments to these families fell by 43 percent in the ensuing three months, partly due to removal of the adult's portion of the grant and partly because some left assistance entirely. Case closure rates appear to have accelerated among families reaching time limits, suggesting that reaching the limit may have led some families to leave TANF sooner than they would have without time limits.

Self-reported exposure to reform provisions. When surveyed roughly one year after random assignment, high proportions of clients—many of whom were no longer receiving assistance—generally said they had been informed about key welfare reform provisions by welfare office staff. Reported exposure by respondents actually subject to each provision were highest for the immunization requirement, job search requirement, and 24-month time limit. Consistent with process study findings in Chapter 2, exposure was lowest for the school attendance requirement.

Although most clients who were subject to key reform provisions said workers had told them about the provisions, sometimes substantial fractions of clients did not. Given the potentially serious consequences of misunderstandings on clients' part, efforts to strengthen worker-client communications about welfare reform specifics would be beneficial.

Findings in this chapter suggest that Indiana's reform initiated a marked shift in activities and expectations during the program's first two years, a period when many implementation details still were being worked out. Exposure was greater for families in the Welfare Reform group than for those in the Traditional Welfare group, although the latter also may have been partly influenced by what they heard about the new policies. The next chapter assesses whether this more intensive exposure to reform among the Welfare Reform group was associated with more favorable economic outcomes.

CHAPTER FOUR

TWO-YEAR IMPACTS ON ECONOMIC SELF-SUFFICIENCY

This chapter presents impacts on a range of economic outcomes—employment and earnings, welfare receipt and payments, receipt of other assistance, and total income—for the first group of enrollees in Indiana's welfare reform program. The results cover the first two years following enrollment for clients who enrolled in the program between May 1995—when it began—and December 1995. For the most part, the chapter presents and discusses impacts separately for Placement Track, Basic Track, and exempt clients, because these three groups faced substantially different policy environments.

To summarize the key findings in this chapter, Indiana's program generated moderate gains in participants' earnings and reductions in welfare payments for clients in the Placement Track. The State initially targeted its most intensive welfare reform policies at these clients, who were relatively job-ready and required to participate in employment and training activities. For the other clients in Indiana's program—Basic Track and exempt clients—there is no evidence of impacts during the first two years of follow-up. For reasons discussed below, the program's full impacts may have been somewhat larger than those reported here. Nevertheless, in spite of the program's accomplishments, the majority of adults in the program were not earning enough at the end of the two-year follow-up period to move their families above the federal poverty line.

Compared, however, to clients in recent welfare-to-work programs in other states, clients in Indiana's program had the highest employment rates and earnings, and the lowest welfare receipt and payments, and therefore were relatively less welfare reliant. Because these results held for *both* the Welfare Reform (or treatment) group and the Traditional Welfare (or control) group, the higher employment and lower welfare receipt outcomes did not translate into larger impacts than those found for other programs.

The two-year follow-up period covered in this report is not long enough to determine the full impacts of the program. Only a small percentage of clients reached the 24-month time limit during this period, and it is possible that impacts could change as a substantial fraction of clients reached the time limit. In addition, most of the follow-up period precedes important policy changes implemented in June 1997—most notably, a substantial expansion in the share of the caseload subject to time limits and work requirements. As discussed in the conclusion, these changes might be expected to expand impacts as well. Future reports will assess impacts over a longer follow-up period and include separate analyses of clients who enrolled in the program after the 1997 changes.

Section 4.1 discusses the expected impacts of Indiana's program for the three client subgroups. Section 4.2 describes the data sources and methodology used to estimate impacts. Sections 4.3 through 4.9, except Section 4.4, present impact findings. Section 4.4 describes clients' employment experiences. Section 4.10 presents conclusions.

4.1 EXPECTED IMPACTS

The unifying goal of Indiana's program is "Work First"—to move clients into employment quickly and to increase their attachment to the labor force. However, for the purpose of understanding impacts, Indiana's program as initially implemented is best thought of not as a program that applies uniformly to all clients, but as a program with three groups of clients, each subject to a different set of policies.[63] The largest impacts can be expected for Placement Track clients, who are subject to the most extensive policy changes and who received first priority in Indiana's employment and training program (IMPACT). Smaller impacts can be expected for Basic Track clients, who were not subject to work incentive policies or time limits, and who had lower priority for IMPACT. The smallest impacts can be expected for exempt clients, who were also not subject to work incentive policies or time limits and who did not participate in IMPACT.[64, 65]

In this chapter, impacts are measured by comparing average outcomes for two groups. This section describes policies applying only to clients randomly assigned to the "Welfare Reform group," often referred to in other evaluations as the treatment, or experimental group. Section 4.2 provides further details on the experimental design and the role of the "Traditional Welfare," or control group.

Placement Track Clients

For Placement Track clients, the three most important elements of Indiana's program were a strong emphasis on Work First and mandatory employment and training services, work incentives,

[63] See Chapter 1 for an explanation of Indiana's welfare reform policies.

[64] Beginning in June 1997, the Basic Track was abolished, and all IMPACT-mandatory clients became subject to Placement Track policies. Most of the follow-up period for the sample of clients in this report occurred prior to June 1997. In addition, most clients in the report sample had left welfare by June 1997 and therefore would not have been affected by this policy change.

[65] The analysis in this chapter ignores any changes in subgroup status—for example, from exempt to Placement Track—that occurred after a client's subgroup status was initially identified.

and time limits. Research from other welfare-to-work programs suggests that requiring participation in an employment and training program that emphasizes job search should increase employment and earnings, and decrease welfare receipt in the short run.[66] The employment and training component can increase employment in several ways: by providing access to additional job opportunities; by providing supportive services such as transportation assistance and child care; by encouraging participation through the threat of sanctions for noncompliance; and by providing additional employment-related skills (to the extent that clients participate in education and training activities). The employment and training program also can increase the employment of nonparticipants, if it induces some clients to work rather than comply with program requirements. Increased earnings brought about by the employment and training program should reduce welfare payments, since the State has continued the traditional "30 and 1/3" earnings disregards.[67]

To encourage employment, Placement Track clients' cases remain open even after earnings eliminate their cash grant (until their earnings reach the federal poverty line), thereby allowing clients to continue receiving Medicaid, child care subsidies, and other supportive services at higher earnings levels than without the policy. The intention behind this new policy—called the "zero-grant" provision—is to encourage clients to work and to provide supports that may sustain employment. At the same time, the policy might lead some clients who would have worked anyway to remain "on the rolls" longer than they would have otherwise.

Another work incentive, the "fixed-grant" policy, holds welfare grants fixed when earnings increase beyond their initial level. The intended effect of this policy is to encourage clients to increase their work hours, which would increase earnings impacts. To the extent that some individuals would have increased their earnings over time even without welfare reform, the policy will lead to higher TANF payments than those persons would have received otherwise.

The 24-month time limit on TANF receipt is intended to act as an incentive for clients to become self-sufficient but, for several reasons, its impacts are not expected to have been large during the period covered in this report. First, Indiana's time limit applies only to the case head's portion of the grant (roughly $90 per month), and does not affect the eligibility of other clients in the case.[68] Its potential influence therefore may be weaker than a full-family time limit. Second, for most of the follow-up period covered in this report, no client had reached the time limit. Impacts may be larger

[66] See, for example, Hamilton *et al*. (1997).

[67] In determining the cash benefit, the State disregards the first $30 earned per month and, for the first four months of assistance, one-third of remaining earnings.

[68] Beginning in October 1996, welfare recipients in Indiana became subject to the federal 60-month, full-family time limit in addition to the State's 24-month time limit for case heads.

as more clients reach the time limit, because grants will be reduced automatically, because the benefit reduction may trigger a behavioral response, and because of "neighborhood" effects (that is, time limits may become more salient to clients who have not yet reached their limit as they hear about clients who have reached their limit).[69] Impacts may also grow as clients near the 60-month full-family limit. Third, until June 1997 (and for most of the follow-up period covered in this report), Indiana's time limit policy counted every month against the limit, regardless of whether clients were receiving welfare in that month. This mechanism does not create an incentive for clients to "bank" some months of eligibility, and therefore reduces the likelihood of impacts on welfare receipt.[70]

In sum, potential policy influences on Placement Track clients include strengthened requirements to participate in employment and training, sanctions for noncompliance, increased work incentives, and time limits. The expected impacts are increased employment and earnings and decreased TANF receipt and payments.

Basic Track and Exempt Clients

For clients who were not assigned to the Placement Track during the follow-up period, impacts are likely to be smaller. Basic Track clients had lower priority than Placement Track clients for IMPACT services, were subject to less severe sanctions for nonparticipation, and were not subject to the zero-grant or fixed-grant policies or to the 24-month time limit. As shown in Chapter 3, actual employment and training participation rates were lower for Basic Track than for Placement Track clients, reinforcing the expectation of smaller impacts. The situation changed in June 1997, when the distinction between Basic and Placement Tracks was eliminated and all Basic Track clients still receiving TANF became subject to Placement Track policies. Future analyses will present the impacts of this policy shift.

Exempt clients were subject to the fewest policy distinctions between Welfare Reform and Traditional Welfare group members. The most important policy distinctions were those embodied in the Personal Responsibility Agreement (PRA). These requirements were intended primarily to affect noneconomic outcomes such as preschool immunization rates and school attendance. In addition, evidence from the process study suggests that PRA requirements for the most part did not

---

[69] During process study interviews conducted in Spring 1996, well before any clients had reached the 24-month limit (and before the federal 60-month limit was imposed), case workers reported that time limits seemed remote to clients, and that some clients were skeptical that the limits would be enforced. Bloom *et al.* (1998) report similar findings for welfare recipients in Florida.

[70] Beginning in June 1997, only months in which a client was on welfare counted against the 24-month time limit.

make a big impression on clients. For these reasons, substantial economic impacts should not be expected for exempt clients. Between June 1997 and June 1998, the proportion of the caseload that is exempt fell in stages, as the exemption for age of the youngest child was narrowed.[71] This change will increase the share of the caseload subject to Placement Track policies, and therefore may be expected to increase overall impacts.

4.2 DATA AND METHODS

This section summarizes the basic features of the impact analysis methodology. It identifies the sample for the analysis, describes the data sources used, and discusses several analysis issues.

The Sample

This report analyzes a sample of families from the statewide population of families randomly assigned to the Welfare Reform and Traditional Welfare groups during the program's first eight months (May through December 1995). The sample includes a random sample of the larger population of Welfare Reform group families, because a larger sample would not have provided appreciably greater statistical precision, and the entire Traditional Welfare group, because it is relatively small. The sample includes both ongoing cases (families on welfare when the program started in May 1995) and applicants (families applying for assistance between June and December 1995), with most (73 percent) of the sample in ongoing cases. Specifically, the total sample of 17,677 cases includes 10,355 Welfare Reform and 2,511 Traditional Welfare group families from the population of ongoing cases, and 4,481 Welfare Reform and 330 Traditional Welfare group families from the applicant population. All the results presented in this chapter combine ongoing and applicant cases.[72]

The sample excludes families with no AFDC-eligible adult (typically those where the children's guardian was someone other than their parent), because such families were not subject to

[71] Starting in June 1998, clients are exempt from IMPACT if they have a child under age one.

[72] The relatively smaller number of Traditional Welfare applicants reflects the fact that the State initially specified the Traditional Welfare:Welfare Reform assignment rate for applicants in order to achieve the target of 2,000 Traditional Welfare group families over a four-year period. However, FSSA staff later increased the Traditional Welfare group assignment rate in order to achieve a faster build-up for analysis. The sample for this report is weighted to equalize the Traditional Welfare:Welfare Reform ratio for applicants and ongoing recipients.

any significant reform provisions. These "child-only" cases represented 19 percent of the single-parent (AFDC-Regular) caseload in May 1995.

Follow-up observation begins in the first month of the first calendar quarter after a sample member "enrolls" in the demonstration. For ongoing cases, enrollment generally occurred at the first redetermination after May 1995. For applicants, enrollment occurred in the month in which an applicant's case opened. "Follow-up month one" is defined as the first month of the first calendar quarter after enrollment, in order to align impacts for welfare receipt and employment (because employment and earnings data from Unemployment Insurance System wage records are available only by calendar quarter).

For families in the sample who enrolled after June 1995, the two-year follow-up period covered in this report includes up to six months after June 1997. After that point, all mandatory clients previously in the Basic Track became subject to Placement Track policies, as did many previously exempt clients.[73] To the extent that some clients in the Basic Track and exempt subgroups became subject to Placement Track policies, impacts for these subgroups might be expected to increase near the end of the two-year follow-up period. On the other hand, impacts might not increase because the follow-up period did not extend past June 1997 for the earliest enrollees, and because most clients in the sample had left welfare by June 1997, and so would not have been exposed to the policy changes.

Data Sources

The outcomes of principal interest in this chapter are employment and earnings, and welfare receipt and payments. The chapter also presents impact estimates for food stamp receipt and payments, and other sources of assistance. In addition, the chapter describes the employment experiences of a subsample of Welfare Reform group clients.

The source for employment and earnings data is quarterly wage records from Indiana's Unemployment Insurance (UI) system. These data cover the period from the first quarter of 1995 through the fourth quarter of 1997, or three full years. Because all members of the report sample had enrolled by December 1995, there are eight quarters of post-enrollment data on earnings for all

[73] In June 1997 the State reduced the exemption for age of the youngest child from three years to two years. In December 1997 the exemption was reduced again, from two years to one year old.

sample members.[74] Data for quarters prior to enrollment are used to get more precise impact estimates by controlling for random differences in characteristics between Welfare Reform and Traditional Welfare group members. These earnings data are mostly complete but exclude employment in another state and employment not reported to the Unemployment Insurance system (such as self-employment).[75]

Indiana's welfare eligibility computer system (called the Indiana Client Eligibility System, or ICES) was the source for data on AFDC/TANF and Food Stamp receipt. These data cover the same three-year period as the UI earnings data, from the beginning of 1995 through the end of 1997. The data are available on a monthly basis, but for most analyses in this report we aggregate by calendar quarter, so that welfare receipt and payments are aligned with the earnings data. As with earnings data, welfare receipt status prior to enrollment is used to get more precise estimates of program impact. The receipt data exclude any welfare receipt in another state for clients who moved during the follow-up period.

This chapter also uses data from a client survey for measures of other sources of assistance, and clients' work experiences. The survey was "mixed-mode," combining telephone and field interviews, and covers an average post-enrollment period of 17 months. The survey response rate was 71 percent, with 1,593 completed interviews split approximately equally between Welfare Reform group and Traditional Welfare group members. All survey analyses are weighted to ensure that the survey sample represents all families statewide who enrolled early in the program (except for child-only families). The survey covered a range of topics, including detailed questions on work, other sources of assistance (for example, from community organizations and friends and family), family composition, welfare reform experiences, employment and training participation, and respondents' background.

Analysis Approach

The impacts presented in this chapter represent the difference in average outcomes between Welfare Reform and Traditional Welfare group members. For example, the impact on earnings is the difference between average earnings for Welfare Reform and Traditional Welfare group members

[74] Because employers submit wage records to the UI system on an ongoing basis, earnings data may not be complete for the most recent follow-up quarter (the fourth quarter of 1997). However, the results for the eighth follow-up quarter are not likely to change much when the relatively small amount of earnings records are added.

[75] Earnings in each quarter are "top-coded" to ensure that impact estimates are not overly affected by the relatively high earnings of a small number of clients in the Welfare Reform and Traditional Welfare groups. Top-coding involves setting earnings above an upper ceiling to that ceiling level.

(adjusted for small differences in pre-enrollment characteristics).[76] The outcomes of Traditional Welfare group members represent what would have happened in the absence of the program. The graphs in this chapter for Traditional Welfare group members show that, even without welfare reform, clients tend to increase their employment over time and reduce their reliance on public assistance. This increase in self-sufficiency for the Traditional Welfare group also demonstrates why the effectiveness of a program cannot be measured using outcomes for program participants only.

All sample members are included in the average outcome measures used to estimate impacts. For example, average earnings in each quarter includes zeros for clients with no earnings. Similarly, the average TANF payment in a quarter includes clients who are off welfare and whose TANF payment is therefore zero. The resulting outcome measures therefore capture average earnings and welfare payments for the entire sample.

Because of Indiana's zero-grant policy—which allows clients to keep their AFDC/TANF case open with a zero grant when their income exceeds the AFDC payment standard (up to the federal poverty line)—there are two ways to measure AFDC/TANF receipt. An individual can be defined as receiving welfare during a month if her case is open (a definition based on technical eligibility), or only if her case is open *and* she receives a cash grant (a definition based on payment receipt). For most of the follow-up period covered in this report, the distinction is relevant mainly for families assigned to the Placement Track, because the zero-grant policy applied only to these families (until June 1997). In presenting impacts on AFDC/TANF receipt, this report adopts the latter, more restrictive measure of receipt, because this measure is more consistent with other studies. To the extent that Welfare Reform clients work at jobs paying above the AFDC payment standard but below the poverty line, impacts for payment receipt will be larger than those for technical eligibility.

The measures of AFDC/TANF receipt used in this study are based on the first case observed for each case head. In other words, if a case head closes her initial AFDC case, then she is counted as not receiving AFDC, even if she subsequently moves to a new AFDC case. Ignoring such "case switching" is not likely to have a large effect on the estimated welfare receipt impacts in this report, because case-switching rates are low and similar for both the Welfare Reform and Traditional Welfare groups.

[76] Ordinary least squares regressions were used in estimating impacts for this chapter, adjusting for the following characteristics: age of payee, county of enrollment, race, sex, pre-enrollment AFDC payments and receipt, pre-enrollment earnings and employment, education level, number of children, number of adults, marital status, physical incapacity, and the age of the youngest child.

Because random assignment occurred before clients were placed in the Placement or Basic Tracks, and because only Welfare Reform group members were assigned to either track, estimating impacts separately for these two subgroups required a special approach. For all mandatory clients, we used a statistical model to predict assignment to the Placement or Basic Track for both Welfare Reform and Traditional Welfare group members. Then impacts for the Placement Track were estimated as the difference in outcomes between predicted Placement Track members in the Welfare Reform group and predicted Placement Track members in the Traditional Welfare group. An analogous approach provided estimates for the Basic Track. The resulting estimates are experimental subgroup estimates (even though their calculation was necessarily more complicated than the usual approach to estimating subgroup impacts), because the prediction used only characteristics observed prior to random assignment and the prediction process was identical for the Welfare Reform and Traditional Welfare groups. The appendix provides more details on this estimation procedure.[77]

As a final and important methodological point, there are several reasons why the impacts presented in this chapter may underestimate the full effects of Indiana's program. First, by design, impacts measured in this study do not include effects of the program or of media attention to welfare reform on decisions to apply for welfare. The impacts in this chapter do not include any reduction in caseloads caused by either of these factors. Second, evidence from the process study and the client survey (described in Chapter 3) suggests that some Traditional Welfare group members mistakenly believed they were subject to some of the same requirements as Welfare Reform group members. To the extent that this affected the behavior of Traditional Welfare group members, estimated impacts will be smaller than if all Traditional Welfare group members understood they were not subject to welfare reform policies.[78] Finally, impacts for the Placement Track subgroup may be underestimated because of measurement error from using predicted rather than actual Placement Track status.

[77] Impacts for the exempt subgroup were calculated in a more straightforward way, because random assignment occurred *after* case workers determined clients' status as mandatory or exempt.

[78] It is important not to exaggerate the significance of any such "contamination." The experiment achieved clear distinctions between the Welfare Reform and Traditional Welfare groups in the policies likely to matter most—employment and training requirements and sanctions for noncompliance, and earned income disregards. In addition, the "hard-wiring" of most policies in ICES, such as time limits and sanctions for noncompliance with the Personal Responsibility Agreement, ensured that case workers did not in fact apply these policies to Traditional Welfare group members.

4.3 IMPACTS ON EMPLOYMENT AND EARNINGS

Overall, the program produced modest gains in employment and earnings over the two-year follow-up period. Welfare Reform group members earned an average of $7,344 for the first two years of follow-up, compared with $6,967 for Traditional Welfare group members (see Exhibit 4.1, third panel). The $377 difference—which amounts to five percent of mean earnings for the Traditional Welfare group—is the impact of Indiana's program. Similarly, nearly 79 percent of Welfare Reform group members worked at least one quarter during the first two years of follow-up, close to two percentage points higher than the Traditional Welfare group. Though small, this difference is statistically significant (as shown in the first row of the exhibit).

Virtually all of the impacts are concentrated in one subgroup: Placement Track clients.[79] (The results shown for the full sample in Exhibit 4.1 are presented separately for Placement Track, Basic Track, and exempt clients in Exhibits 4.2 through 4.4.) Impacts for Placement Track clients are mostly sizeable and statistically significant, while impacts for the other two subgroups are mostly small and not statistically different from zero. The impacts for the full sample in Exhibit 4.1 are in effect an average of the impacts for the three subgroups (weighted by sample size), and are smaller than Placement Track impacts because the latter are diluted when combined with the smaller impacts for the remaining sample members.

That Indiana's program was most effective for Placement Track clients is not surprising given that the most significant policy changes were targeted at this group. (See section 4.1.) For Placement Track clients, the program increased employment rates by 3 percent, number of quarters employed by 13 percent, and earnings by 17 percent over the two year follow-up period. The percentage increase in earnings is about the same as the percentage increase in quarters of employment, suggesting that the program's impact on earnings is due mostly to an increase in average quarters of employment, rather than an increase in hours worked per quarter of employment and/or wage rates.[80]

[79] The sample sizes for the Welfare Reform group shown in Exhibits 4.2 through 4.4 sum to less than the sample size in Exhibit 4.1 because a portion of mandatory clients in the Welfare Reform group was reserved to predict assignment to the Placement and Basic Tracks. As a result, the ratio of Welfare Reform group clients to Traditional Welfare group clients is lower for the Placement and Basic Track subgroups than for the full sample. Excluding a random sample of Placement and Basic Track clients in the Welfare Reform group does not bias the subgroup impact estimates. See the appendix for details on the approach used to estimate subgroup impacts.

[80] The increase in average quarters of employment, in turn, appears to be due both to an increase in the percentage of clients who worked and an increase in the number of quarters worked among those who worked, with the latter factor predominating.

Exhibit 4.1
Two-Year Impacts for the Full Sample: Employment, Earnings, AFDC/TANF Receipt and Payments, and Food Stamp Receipt and Payments

Outcome	Welfare Reform Group	Traditional Welfare Group	Difference	Percentage Change
Ever employed, years 1-2	78.9%	77.2%	1.7**	2.2
Last quarter of year 1	50.4	47.5	2.9***	6.1
Last quarter of year 2	52.0	50.0	2.0**	4.0
Average number of quarters employed, years 1-2	3.9	3.7	0.2***	5.4
Average total earnings, years 1-2	$7,344	$6,967	$377**	5.4
Year 1	3,010	2,820	190***	6.7
Year 2	4,334	4,147	187**	4.5
Received any AFDC/TANF payments				
Last quarter of year 1	42.1%	44.1%	-2.0**	-4.5
Last quarter of year 2	25.0	26.0	-1.0	-3.8
Average number of months receiving AFDC/TANF payments, years 1-2	10.1	10.5	-0.4**	-3.8
Average total AFDC/TANF payments received, years 1-2	$2,732	$2,923	$-191***	-6.5
Year 1	1,752	1,840	-88***	-4.8
Year 2	980	1,082	-102***	-9.4
Received any Food Stamps				
Last quarter of year 1	51.5%	53.1%	-1.6*	-3.0
Last quarter of year 2	39.7	40.3	-0.6	-1.5
Average number of months receiving Food Stamp payments, years 1-2	12.3	12.7	-0.4***	-3.1
Average total value of Food Stamps received, years 1-2	$3,376	$3,473	$-97**	-2.8
Year 1	1,927	1,985	-58**	-2.9
Year 2	1,449	1,488	-39	-2.6
Sample size (total=17,677)	14,836	2,841		

DATA SOURCES: Indiana Unemployment Insurance earnings records and administrative records from the Indiana Client Eligibility System.

NOTE: A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

Exhibit 4.2
Two-Year Impacts for Placement Track Clients: Employment, Earnings, AFDC/TANF Receipt and Payments, and Food Stamp Receipt and Payments

Outcome	Welfare Reform Group	Traditional Welfare Group	Difference	Percentage Change
Ever employed, years 1-2	82.1%	79.9%	2.2	2.8
Last quarter of year 1	57.6	50.0	7.6***	15.2
Last quarter of year 2	57.2	54.4	2.8	5.1
Average number of quarters employed, years 1-2	4.4	3.9	0.5***	12.8
Average total earnings, years 1-2	$9,457	$8,083	$1,374***	17.0
Year 1	3,954	3,139	815***	26.0
Year 2	5,503	4,944	559**	11.3
Received any AFDC/TANF payments				
Last quarter of year 1	43.3%	52.6%	-9.3***	-17.7
Last quarter of year 2	25.4	29.3	-3.9	-13.3
Average number of months receiving AFDC/TANF payments, years 1-2	9.0	10.6	-1.6***	-15.1
Average total AFDC/TANF payments received, years 1-2	$2,339	$2,921	$ -582***	-19.9
Year 1	1,560	1,879	-319***	-17.0
Year 2	779	1,043	-264***	-25.3
Received any Food Stamps				
Last quarter of year 1	59.2%	66.2%	-7.0***	-10.6
Last quarter of year 2	44.8	49.6	-4.8*	-9.7
Average number of months receiving Food Stamp payments, years 1-2	11.8	13.4	-1.6***	-11.9
Average total value of Food Stamps received, years 1-2	$3,140	$3,637	$-497***	-13.7
Year 1	1,843	2,121	-278***	-13.1
Year 2	1,297	1,516	-219***	-14.4
Sample size (total=5,596)	4,537	1,058		

DATA SOURCES: Indiana Unemployment Insurance earnings records and administrative records from the Indiana Client Eligibility System.

NOTE: A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

Exhibit 4.3
Two-Year Impacts for Basic Track Clients:
Employment, Earnings, AFDC/TANF Receipt and Payments,
and Food Stamp Receipt and Payments

Outcome	Welfare Reform Group	Traditional Welfare Group	Difference	Percentage Change
Ever employed, years 1-2	75.6%	74.1%	1.5	2.0
Last quarter of year 1	45.3	44.6	0.7	1.6
Last quarter of year 2	46.3	47.9	-1.6	-3.3
Average number of quarters employed, years 1-2	3.5	3.5	0	0
Average total earnings, years 1-2	$5,542	$5,464	$78	1.4
Year 1	2,199	2,345	-146	-6.2
Year 2	3,343	3,119	224	7.2
Received any AFDC/TANF payments				
Last quarter of year 1	54.6%	52.4%	2.2	4.2
Last quarter of year 2	34.0	32.8	1.2	3.7
Average number of months receiving AFDC/TANF payments, years 1-2	10.9	10.7	0.2	1.9
Average total AFDC/TANF payments received, years 1-2	$2,894	$2,899	$-5	-0.2
Year 1	1,814	1,815	-1	-0.1
Year 2	1,080	1,084	-4	-0.4
Received any Food Stamps				
Last quarter of year 1	62.8%	61.8%	1.0	1.6
Last quarter of year 2	51.1	46.4	4.7	10.1
Average number of months receiving Food Stamp payments, years 1-2	12.6	12.0	0.6	5.0
Average total value of Food Stamps received, years 1-2	$3,502	$3,324	$178	5.4
Year 1	1,944	1,881	63	3.3
Year 2	1,558	1,443	115	8.0
Sample size (total=3,855)	3,090	766		

DATA SOURCES: Indiana Unemployment Insurance earnings records and administrative records from the Indiana Client Eligibility System.

NOTE: A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

Exhibit 4.4
Two-Year Impacts for Exempt Clients:
Employment, Earnings, AFDC/TANF Receipt and Payments,
and Food Stamp Receipt and Payments

Outcome	Welfare Reform Group	Traditional Welfare Group	Difference	Percentage Change
Ever employed, years 1-2	77.3%	77.2%	0.1	0.1
Last quarter of year 1	47.3	47.4	-0.1	-0.2
Last quarter of year 2	50.1	47.1	3.0*	6.4
Average number of quarters employed, years 1-2	3.7	3.7	0	0
Average total earnings, years 1-2	$6,806	$6,980	$-176	-2.5
Year 1	2,812	2,867	-55	-1.9
Year 2	3,994	4,113	-119	-2.9
Received any AFDC/TANF payments				
Last quarter of year 1	48.6%	49.2%	-0.6	-1.2
Last quarter of year 2	31.4	31.5	-0.1	-0.3
Average number of months receiving AFDC/TANF payments, years 1-2	10.3	10.3	0	0
Average total AFDC/TANF payments received, years 1-2	$2,878	$2,934	$-56	-1.9
Year 1	1,793	1,816	-23	-1.3
Year 2	1,086	1,118	-32	-2.9
Received any Food Stamps				
Last quarter of year 1	60.1%	61.3%	-1.2	-2.0
Last quarter of year 2	47.1	48.4	-1.3	-2.7
Average number of months receiving Food Stamp payments, years 1-2	12.1	12.4	-0.3	-2.4
Average total value of Food Stamps received, years 1-2	$3,374	$3,396	$-22	-0.6
Year 1	1,896	1,907	-11	-0.6
Year 2	1,478	1,489	-11	-0.7
Sample size (total=6,454)	5,437	1,017		

DATA SOURCES: Indiana Unemployment Insurance earnings records and administrative records from the Indiana Client Eligibility System.

NOTE: A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

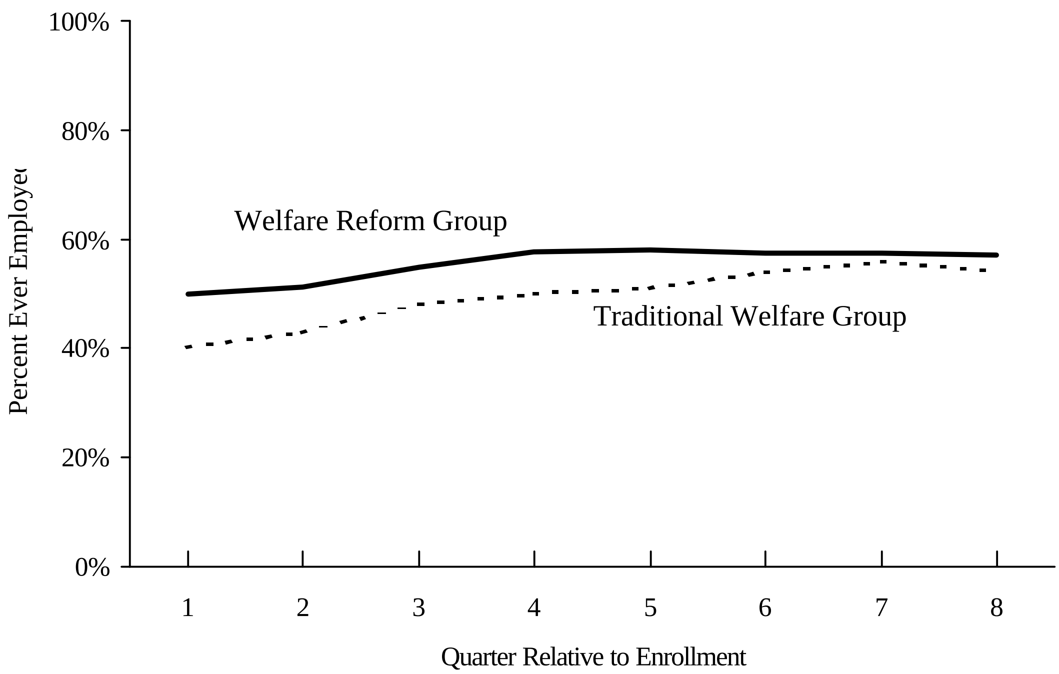
Exhibit 4.5 shows the pattern of employment and earnings for Placement Track clients over the eight follow-up quarters. The graphs show increases in employment and steeper increases in earnings over time, for both Welfare Reform and Traditional Welfare group members. The progress of Traditional Welfare group members over the two-year period shows that, on average, the labor force attachment of a given group of welfare recipients tends to improve over time, even without any special intervention. The graphs also appear to show a decline over time in the size of impacts, seen as a closing of the gap between the lines for Welfare Reform and Traditional Welfare group members. One reason Traditional Welfare group members might be expected to catch up is if the program mostly was helping clients who would have worked anyway find jobs faster than they otherwise would have, without increasing the time they held their jobs.

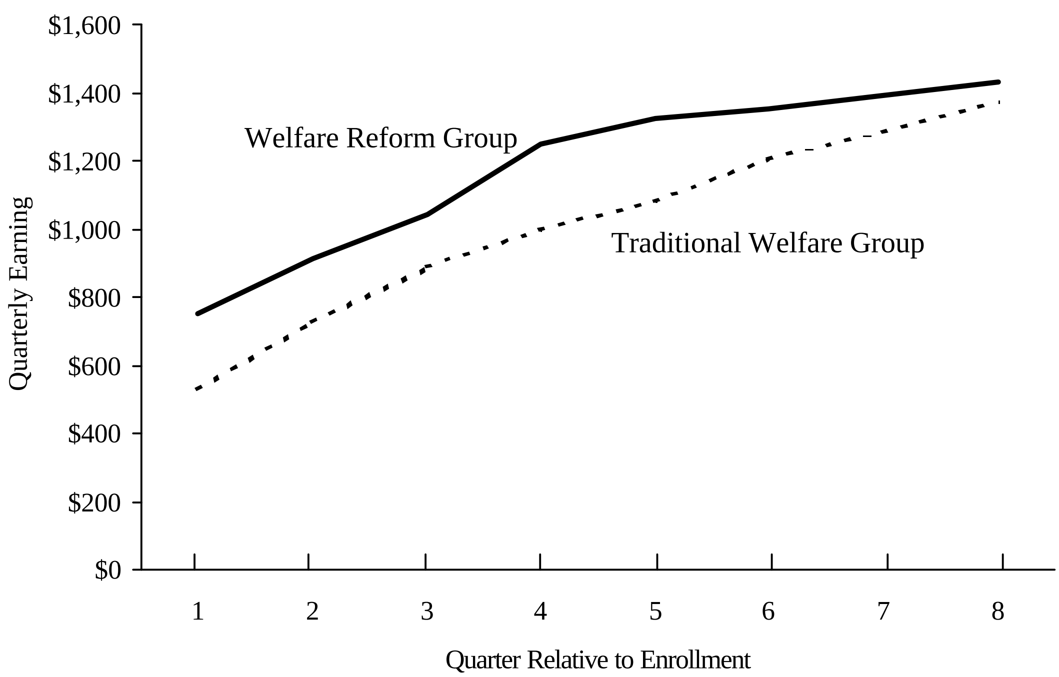
Exhibit 4.6 shows the impacts of Indiana's program on the distribution of year 2 earnings for each of the three subgroups. The exhibit shows, for example, the percentage of Welfare Reform group members in the Placement Track who had no earnings in year 2, and the percentage in five different earnings brackets. The percentages sum to 100 because each client falls into one and only one category. Comparing the percentage of Welfare Reform and Traditional Welfare clients in each earnings bracket shows the earnings brackets in which the employment increase occurred. The results suggest that, for Placement Track clients, the program shifted clients from lower to higher earnings levels, although the size of the shift is small and only one of the impacts is statistically significant.[81] The exhibit also shows, however, that most clients *who worked* in year 2 had earnings below $10,000—not enough to lift their families above the federal poverty line ($12,273 for a family of three in 1996).

The employment and earnings impacts for Placement Track clients are roughly similar in magnitude to those found for other recent welfare-to-work programs. What stands out about Indiana's results is the *level* of employment and earnings. For example, 77 percent of *Traditional Welfare group clients* in the full sample worked at least one quarter during the follow-up period; this is higher than the comparable employment rate for either the *control or treatment groups* in Florida's Transition Program (Bloom *et al.* 1998), Minnesota's Family Investment Program (Miller *et al.* 1997), any of the three labor force attachment sites in the National Evaluation of Welfare-to-Work

[81] The impacts for year 1, not shown, are similar. There are statistically significant increases in year 1 in the proportion of clients in the $5,000-$9,999 and $10,000-$19,999 ranges.

Exhibit 4.5
Average Quarterly Employment and Earnings For Placement Track Clients, by Welfare Reform/Traditional Welfare Group





DATA SOURCE*:* Indiana Unemployment Insurance earnings records.

Exhibit 4.6
Impacts on the Distribution of Earnings in Year 2,
by Placement Track, Basic Track, and Exempt Subgroups

	Percentage in Annual Earnings Bracket		
Subgroup and Year 2 Earnings Bracket	**Welfare Reform Group**	**Traditional Welfare Group**	**Difference**
Placement Track			
None	26.6%	29.7%	-3.1%
$1 - $1,999	16.8	17.0	-0.2
$2,000 - $4,999	14.3	17.1	-2.8
$5,000 - $9,999	19.2	16.0	3.2
$10,000 - $19,999	18.8	15.1	3.7**
$20,000 or more	4.3	5.2	-0.9
Sample size (total = 5,596)	4,537	1,059	
Basic Track			
None	34.3%	36.2%	-1.9%
$1 - $1,999	23.1	22.8	0.3
$2,000 - $4,999	16.0	14.4	1.6
$5,000 - $9,999	13.9	15.8	-1.9
$10,000 - $19,999	10.8	10.8	0.0
$20,000 or more	1.9	0.0	1.9
Sample size (total = 3,855)	3,090	766	
Exempt			
None	32.5%	33.6%	-1.1%
$1 - $1,999	20.9	19.8	1.1
$2,000 - $4,999	15.3	14.0	1.3
$5,000 - $9,999	16.0	15.6	0.4
$10,000 - $19,999	12.7	14.1	-1.4
$20,000 or more	2.6	2.8	-0.2
Sample size (total = 6,454)	5,437	1,017	

DATA SOURCE: Indiana Unemployment Insurance earnings records.

NOTE: A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

Strategies (Hamilton *et al.* 1997), and any of the six sites in California's GAIN evaluation (Riccio, Friedlander, and Freedman 1994). The same is true for clients' average total earnings in the first two years: Indiana's Traditional Welfare group had higher earnings (about $7,000) than the control or treatment groups in any of these other programs. It is not clear whether welfare recipients in Indiana have such relatively strong labor force attachment because of a strong economy or for other reasons, but the results suggest that Indiana may be closer than other states to meeting its goal of self-sufficiency for a greater share of its caseload.

4.4 CLIENTS' WORK EXPERIENCES

The results from previous exhibits suggest that most clients' earnings in the second year of follow-up were below the federal poverty line, and many clients did not keep their jobs for long.[82] These facts suggest that the size of earnings impacts is limited in part by the types of jobs obtained. This section provides a more complete picture of clients' work experiences using data from the client follow-up survey, by examining the characteristics of clients' jobs, job retention, and barriers to work. The analysis in this section is descriptive and focuses exclusively on the Welfare Reform group.

Characteristics of Clients' Most Recent Jobs

Data from the client survey confirm that many clients held jobs with low wages and no fringe benefits. Exhibit 4.7 presents some selected characteristics of clients' current or most recent jobs as of the time of the survey. Slightly more than half of all employed clients were working full-time in their current or most recent job.[83] Overall, clients earned a median wage of $6.00 per hour, with full-time workers earning slightly more. Only about one in seven employed clients earned $8.00 per hour or more. The high overall employment rates shown in previous exhibits indicate that recipients were able to find work, but Exhibit 4.7 suggests that these jobs were overwhelmingly low-wage jobs.

[82] The latter result can be seen in Exhibit 4.1, by comparing the fraction of clients who worked at some point during the two-year follow-up period (79 percent) with the fraction who were working in the last quarter of year 2 (52 percent). The difference between these two numbers understates job loss, because many clients with jobs in the last quarter of year 2 had previous spells of employment and unemployment.

[83] The numbers in Exhibit 4.7 probably understate the fraction of clients working full-time, because they are based only on clients' main job, ignoring any second jobs held simultaneously.

Exhibit 4.7
Selected Characteristics of Most Recent Job, for Welfare Reform Group

	Full-Time Jobs	Part-Time Jobs	All Jobs
Hours worked per week			
Percent working less than 32 hours	0.0	100.0	43.2
Percent working 32 hours or more	100.0	0.0	56.8
Average hours worked	41.7	21.1	32.2
Median hours worked	40.0	20.0	35.0
Hourly wages (for clients reporting an hourly wage)			
Percent earning:			
Less than $5.00	9.9	21.9	14.9
$5.00-5.99	23.9	42.6	31.8
$6.00-6.99	25.3	17.1	22.1
$7.00-7.99	19.6	10.6	15.6
$8.00 or more	21.3	7.8	15.5
Average wage	$6.79	$5.72	$6.34
Median wage	$6.30	$5.35	$6.00
Fringe benefits			
Percent offered:			
Health insurance	65.7	33.1	51.6
Sick leave	36.9	16.2	27.7
Vacation	62.5	27.7	47.6
Of those offered health insurance, percent declining	49.6	82.6	58.7
Percent declining health insurance because of:			
Cost	47.3	21.0	36.8
Have not worked long enough	35.7	30.7	34.0
Covered by Medicaid	5.3	11.8	8.4
Other	11.7	36.5	20.8
Sample size (total = 514)	283	223	514

DATA SOURCE: Client follow-up survey.

NOTES:
1. Survey respondents were interviewed on average 17 months after enrolling in the demonstration. Observations are weighted to be representative of the entire Welfare Reform group enrolling by December 1995. Sample sizes vary somewhat across outcomes due to missing observations.
2. For purposes of this exhibit, "full-time" is defined as 32 hours or more per week, and "part-time" as less than 32 hours per week. Hours were missing for eight jobs.

In addition, clients reported that only about half of the jobs offered health insurance, and fewer (28 percent) offered sick leave. When recipients were offered health insurance by their employers, most declined the offer. Cost was the most frequently-cited reason. Compared to full-time jobs, part-time jobs had substantially lower rates of fringe benefits and lower wages. The lack of benefits and low wages might be expected to contribute to the high rates of job turnover.

Job Retention

The survey data indicate rapid job turnover among clients who went to work after entering the welfare reform program. As shown in Exhibit 4.8, one-third of clients left their first post-random assignment job within three months, and one-half left their jobs within six months. A multivariate analysis of job duration based on these data suggests that higher-wage jobs are associated with longer job duration.[84] While not proving that placing clients in higher-wage jobs will increase job retention, the result is consistent with such a hypothesis.

Job turnover in itself is not necessarily bad, especially if clients leave to take a better job. The exhibit shows, however, that although most clients left their jobs voluntarily, only 17 percent of those who quit said they left to take a better job. Clients cited a variety of other reasons for quitting, including child care problems, low pay, and inflexible hours, additional evidence that job quality affects retention.

Barriers to Work

Understanding the barriers faced by welfare recipients may be useful in designing policies to promote work. Exhibit 4.9 shows that *most* recipients reported that, at the time of random assignment, their ability to work was limited by specific barriers. Seventy-five (75) percent of all survey respondents report facing at least one barrier to work, and 43 percent reported multiple barriers. The barriers mentioned most frequently are child care, transportation, and health problems. Many states, including Indiana, have developed initiatives aimed at the first two of these limitations.

---

[84] Specifically, we used a statistical model to determine what factors are associated with greater job duration for all survey respondents who began a job after random assignment. The model included as explanatory variables job characteristics (wages, availability of health insurance, sick leave) and personal characteristics (gender, race, age, education level, marital history, residence in Lake or Marion Counties) and self-reported barriers to employment (problems with health, child care, transportation, and substance abuse). The following factors were significantly associated with longer job duration: higher wages, being older, having never been married, being female, having no transportation barriers, residing in Lake County, and not residing in Marion County.

Exhibit 4.8
Duration of First Job Since Random Assignment and Reasons for Leaving, for Welfare Reform Group

Outcome	
Percent of jobs ending within:	
3 months	34.8
6 months	52.2
9 months	60.5
12 months	66.1
15 months	75.9
18 months	79.9
Percent of jobs ending because client:	
Quit	52.2
Was laid off	16.9
Was fired	10.3
Other reason	20.6
For clients who quit, main reason for quitting	
Took another job	17.0
Child care problem	15.5
Benefits/salary were not good enough	9.0
Schedule was not flexible enough	7.4
Pregnancy	5.9
Problems with boss	5.4
Respondent's health problem	5.1
Transportation problem	4.0
Other	30.7
Sample size (total = 477)	

DATA SOURCE: Client follow-up survey.

NOTE: Survey respondents were interviewed on average 17 months after enrolling in the demonstration. Observations are weighted to be representative of the entire Welfare Reform group enrolling by December 1995.

Exhibit 4.9
Barriers to Work for Welfare Reform Group, by Employment Status

	Worked Since Random Assignment?		
	No	**Yes**	**All Respondents**
Percent reporting that, as of random assignment, their ability to work was limited by:			
Lack of adequate child care	46.2	38.5**	41.0
Lack of adequate transportation	36.6	40.3	39.1
Health problem or disability	35.5	16.9***	22.8
Health problem or disability of a family member	24.5	12.3***	16.2
Drug use or excessive use of alcohol	2.9	2.0	2.3
Other family problems	19.2	17.3	17.9
Percent reporting:			
None of the barriers above	15.3	30.5***	25.6
One barrier	36.3	29.0**	31.4
More than one barrier	48.4	40.5**	43.0
For clients who have not worked since random assignment, percent reporting as the *main* reason:			
Need to stay home with children	22.1		
Disability	20.2		
Problems with child care availability or cost	16.4		
Unable to find a good job	9.8		
Attending school	4.4		
Need to care for sick relative	4.3		
Transportation problems	2.0		
Other	20.8		
Sample size (total = 826)	279	547	826

DATA SOURCE: Client follow-up survey.

NOTES:
1. Survey respondents were interviewed on average 17 months after enrolling in the demonstration. Observations are weighted to be representative of the entire Welfare Reform group enrolling by December 1995.
2. A two-tailed t-test was applied to differences between clients who had worked and clients who had not worked since random assignment. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

Although clients who have worked since random assignment report fewer barriers than clients who have not worked, a majority of the former group report at least one barrier, and 40 percent report multiple barriers. The pattern of barriers is fairly similar for the two groups, with the biggest difference being that clients who have not worked are twice as likely to report being hindered by health problems, either their own or those of a family member. This suggests that health problems may pose more severe barriers than factors such as transportation.

Clients who had not worked at all since random assignment were asked for the *main* reason for not working. The most frequent response was the need to stay home with their children. The next most frequent responses were health (disability) and child care problems, consistent with the barriers question above. Only two percent of clients who had not worked cited transportation problems as the *main* reason for not working, in sharp contrast to the 37 percent who cited lack of transportation as *one* limiting factor (second row of Exhibit 4.9). One interpretation of this difference is that transportation barriers are usually not enough in themselves to keep individuals from working, although they may limit individuals' ability to hold their jobs. Most of the primary reasons cited by non-working clients in principle can be influenced by policy.

4.5 IMPACTS ON AFDC/TANF RECEIPT AND PAYMENTS

The middle panels of Exhibit 4.1 show that, for the full sample, Indiana's program generated small reductions in TANF receipt rates and payments.[85] Over the two years of follow-up, Welfare Reform group members on average received $2,732 in AFDC/TANF payments, close to $200 less than the Traditional Welfare group. In percentage terms, Indiana's program reduced TANF payments by about seven percent. The reduction in TANF payments is larger in percentage terms than the reduction in receipt; the program reduced payments by nine percent in year 2, compared with a reduction in receipt of about four percent in the last quarter of year 2.

Though the impacts on receipt rates are small, the reduction in receipt over time for both Welfare Reform and Traditional Welfare clients is very large. By the last quarter of year 2, only one in four sample members was still receiving TANF payments. Although a pattern of declining receipt

[85] As explained in Section 4.2, TANF receipt in a month is defined as receipt of a cash payment, rather than as a client's case being open. Indiana's zero-grant policy creates a distinction between these two measures of receipt for Placement Track clients. Our previous report (Fein, *et al.* 1997) shows fairly different receipt rates between these two measures, evidence that the zero-grant policy is keeping TANF cases open for Placement Track clients when earnings would otherwise have closed their cases.

over time is typical for any given cohort of welfare recipients, the rapidity of this drop is unusual and is consistent with the especially large declines in caseload in Indiana and nationally since 1995.[86]

As with impacts for employment and earnings, the impacts on AFDC/TANF receipt and payments are almost entirely attributable to the Placement Track subgroup. Exhibits 4.2 through 4.4 show the impacts on AFDC/TANF receipt and payments for Placement Track, Basic Track, and exempt clients, respectively. Over the two years, Indiana's program reduced average AFDC/TANF payments for clients in the Placement Track by about 20 percent. Further, Placement Track clients in the Welfare Reform group on average received AFDC/TANF payments for nine months over the two-year period, compared to eleven months for their Traditional Welfare group counterparts—a reduction of 15 percent.

The primary source of the impact on AFDC/TANF payments is a reduction in the average number of months of receipt, rather than a reduction (due to increased earnings or financial penalties) in the average monthly grant amount for those Welfare Reform group members receiving grants. Seventy-six (76) percent of the Placement Track impact on grant amounts is due to a reduction in the number of months of receipt.[87] This result is consistent with other research (Hamilton *et al.*1997). Therefore fiscal sanctions and partial grant reductions from earnings increases for the Welfare Reform group are not the primary reason for the impact on grant amounts for Placement Track clients.

Anecdotal evidence suggests that both positive responses to work services and negative reactions to new requirements and penalties underlie the observed impacts. Sixty-nine (69) respondents to a small December 1996 mail survey of 266 closed cases said their welfare exits were influenced by welfare reform.[88] When asked to check items from a list of possible reasons, a high

[86] As explained in Section 4.2, it is also likely that these numbers underestimate receipt, because they ignore clients who leave their original case but continue to receive welfare in a different case. Preliminary analyses suggest that such "case-switching" did occur; future work will calculate its effect on receipt rates.

[87] This statistic is calculated as the percentage reduction in months of receipt (15.1) divided by the percentage reduction in payments (19.9). This calculation assumes that the average monthly grant amount for Traditional Welfare group members receiving grants does not change over the follow-up period.

[88] The survey was conducted primarily to augment contact information (that is, addresses and phone numbers) for the Spring 1997 client follow-up survey. A total of 2,326 cases closed as of May 1996 were targeted in this mailing, including 1,456 treatment and 870 control cases. Exactly one quarter of the overall sample returned the form. Although conducted primarily to improve contact information (for which a high response rate was not essential), the questionnaire also included several questions on current circumstances and reasons for leaving welfare. Within the total of 350 responding treatment group members, 266 who had not returned to welfare by the time they filled out the questionnaire were asked "Did the reason you stopped receiving AFDC have anything to do with Indiana's welfare reforms?" The main text above characterizes the results as "anecdotal" in light of a low response rate and uncertainty about the quality of self-reports of welfare reform influences.

fraction of the 69 clients said welfare reform "helped me to find a job" (44 percent) or "helped me to feel I could succeed on my own" (45 percent). However, high proportions also indicated they left because their "welfare check was reduced because of a new rule" (59 percent) or because they "wanted to avoid new welfare requirements" (31 percent).

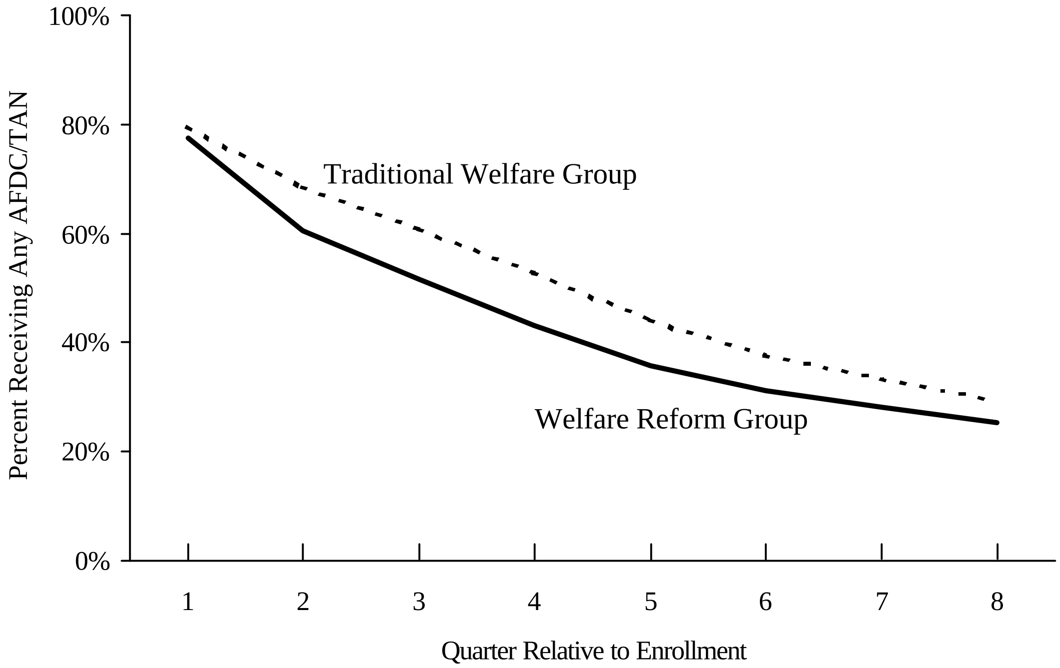
The graphs in Exhibit 4.10 show the patterns of AFDC/TANF receipt and payments for Placement Track clients over time. Both graphs show a decline across every quarter for both Welfare Reform and Traditional Welfare group members, as expected. Impact estimates for both receipt and payments are largest in follow-up quarters two through five, although this may not be readily apparent in the graphs. (Similarly, employment and earnings impacts are largest in quarters one through five.) In the third follow-up year, as some of the remaining clients reach the two-year time limit, TANF payment impacts may increase as the adult portion of the grant is eliminated for Welfare Reform group members.

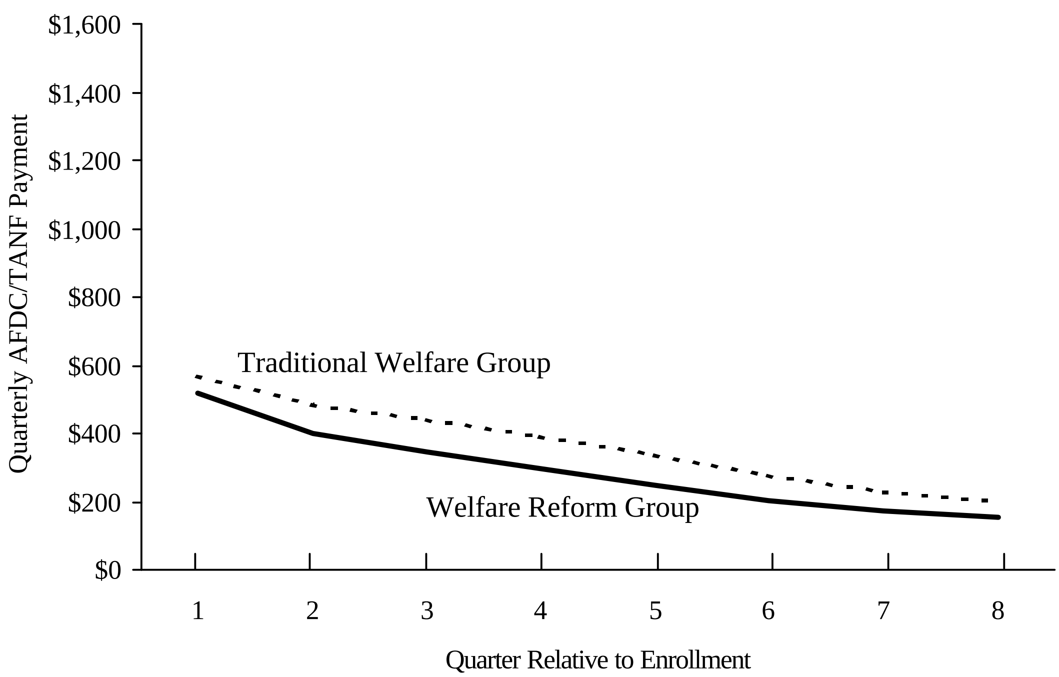
As with impacts on employment and earnings, the impacts of Indiana's program on AFDC/TANF receipt and payments are roughly similar in magnitude to those found for other recent welfare-to-work programs. The receipt and payment impacts for Placement Track clients are larger (in percentage terms) than those found in Florida's FTP program (Bloom et al. 1998), Minnesota's MFIP program (Miller et al. 1997), and either larger or about the same as the three labor force attachment strategy sites in the National Evaluation of Welfare-to-Work Strategies (Hamilton et al. 1997). The receipt rates and average AFDC/TANF payments for Indiana's Traditional Welfare group are lower than the comparable numbers for any of the other welfare-to-work programs reviewed, just as the employment rates and earnings levels were higher. Although these results suggest that TANF participants in Indiana may be more likely than TANF participants in other states to have replaced welfare payments with earnings, it does not imply that their total incomes were larger. As shown below in Section 4.8, Indiana's program did not significantly increase participants' total income over the two-year follow-up period.

Because they are based on receipt of a cash payment instead of whether a case is open, the impacts on receipt shown in the exhibits in this chapter do not show the extent to which the zero-grant policy may have *increased* time on welfare. The zero-grant policy can lengthen stays on welfare because it enables welfare reform clients' cases to remain open (even though they receive no cash payment) when their earnings would normally have triggered case closure.[89] The additional time on welfare is important because it is counted against Indiana's 24-month time limit and the

[89] Most earnings disregards policies have the same potential effect of lengthening stays on welfare.

Exhibit 4.10
Average Quarterly AFDC/TANF Receipt and Payments to Placement Track Clients, by Welfare Reform/Traditional Welfare Group





DATA SOURCE: Indiana Client Eligibility System records.

federal 60-month time limit. The zero-grant policy may have increased time on welfare for Placement Track members by close to one month, on average, over the two-year follow-up period.[90]

4.6 IMPACTS ON COMBINING WELFARE AND WORK

The results discussed so far in this chapter show that Indiana's program has increased employment and reduced reliance on welfare. The above results, however, do not show clients' *combined* welfare and employment status. Looking at how the program affected clients' joint work and welfare decision provides a better understanding of how welfare reform achieved its impacts, and the extent to which individuals relied on one, both, or neither source of income. Did the program increase the proportion of clients who relied on both welfare and work as sources of income? Did it increase the proportion who relied only on work, and decrease the proportion who relied only on welfare? What effect did the program have on the proportion of clients who neither worked nor received welfare?

Exhibit 4.11 shows the effects of Indiana's program on the extent to which Placement Track clients combined welfare and work. At any point in time clients can be in only one of four statuses: on welfare only (not working), combining welfare and work, working only (not on welfare), or neither on welfare nor working.[91] The exhibit shows the proportion of Welfare Reform and Traditional Welfare group members in each of these statuses during the last quarter of year 1 and the last quarter of year 2.

The exhibit shows that the main effects of the program have been to decrease the proportion of Placement Track clients who rely only on welfare (by nine percentage points in the last quarter of year 1), and to increase the proportion of clients who rely only on work (by eight percentage

[90] The extra time on welfare due to the zero-grant policy can be calculated as the difference between the impacts on months of receipt: (a) measured as months of cash payments, and (b) measured as months in which the case was open. The former number, shown in Exhibit 4.2, is -1.6; the latter number (not shown in an exhibit) is -0.7. The difference is 0.9, or nearly one month. This average, however, masks the fact that the effect can be very large for some families, using up many of their remaining months of assistance. The foregoing calculation assumes that the zero-grant policy had no effect on clients' behavior. To the extent that the policy induces clients to go to work *and* leave welfare more quickly than they otherwise would, the estimate of 0.9 months is an overstatement.

[91] As with all the analyses of welfare receipt in this chapter, clients are counted as receiving welfare in a month only if they receive a cash payment. Because clients receiving zero grants are relying on work and not welfare for income, they are classified here as working and not on welfare rather than as combining work and welfare.

Exhibit 4.11
Two-Year Impacts on Combined Employment and AFDC/TANF Receipt Status, for Placement Track Clients

Subgroup and Outcome	Welfare Reform Group	Traditional Welfare Group	Difference	Percentage Change
Placement Track				
Last quarter of year 1				
Not employed and received AFDC/TANF	24.6%	34.0%	-9.3***	-27.5
Employed and received AFDC/TANF	18.7	18.7	0.0	0.0
Employed and did not receive AFDC/TANF	39.0	31.4	7.6***	24.2
Not employed and did not receive AFDC/TANF	17.7	16.0	1.7	10.6
Last quarter of year 2				
Not employed and received AFDC/TANF	14.9%	18.9%	-4.0*	-21.2
Employed and received AFDC/TANF	10.5	10.4	0.1	1.0
Employed and did not receive AFDC/TANF	46.7	44.1	2.6	5.9
Not employed and did not receive AFDC/TANF	27.9	26.7	1.3	4.9
Last quarter of year 1				
Proportion of clients receiving AFDC/TANF who were employed	*43.2%*	*35.5%*	*7.7*	*21.7*
Proportion of clients not receiving AFDC/TANF who were employed	*68.8*	*65.8*	*3.0*	*4.6*
Last quarter of year 2				
Proportion of clients receiving AFDC/TANF who were employed	*41.3%*	*35.5%*	*5.8*	*16.3*
Proportion of clients not receiving AFDC/TANF who were employed	*62.6*	*62.3*	*0.3*	*0.4*
Sample size (total = 5,596)	4,537	1,059		

DATA SOURCES: Indiana Unemployment Insurance earnings records and Indiana Client Eligibility System records.

NOTES: 1. Italicized text in the bottom half of the exhibit indicates that the results are not experimental, because the subgroups are defined according to AFDC/TANF status *after* random assignment. For these outcomes, no significance tests were performed.
2. A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

points in the last quarter of year 1).[92] The program had no statistically significant impacts on the proportion of clients who combine welfare and work, or who neither receive welfare nor work. This pattern of impacts is consistent with Indiana's Work First approach coupled with the lack of earnings disregards. The program's emphasis on getting clients into employment quickly decreases the likelihood that clients will rely only on welfare, and the fact that minimum wage employment, even if it is less than full-time, can reduce the welfare grant to zero increases the likelihood that clients will rely only on work. In contrast, states with more generous earnings disregards might expect their programs to increase the proportion of clients who combine welfare and work.[93]

The other subgroups—Basic Track and exempt clients—reveal less evidence of impact (results not shown). It is possible that impacts for these subgroups will appear with further follow-up, because the June 1997 policy changes expanded Placement Track policies to all mandatory clients, and because some portion of exempt clients will become mandatory as their youngest child ages.

The bottom panel in Exhibit 4.11 suggests that Indiana's program has increased clients' employment rates while they are on welfare, but has not led to greater employment rates for clients off welfare.[94] These results are italicized to indicate that they are nonexperimental, because the groupings (receiving TANF and not receiving TANF) are based on clients' statuses *after* they were randomly assigned. Welfare Reform group members who were receiving welfare in quarters 4 or 8 may be systematically different from Traditional Welfare group members who were receiving welfare at the same points in time. The differences between the two groups in the bottom panel of the exhibit may be impacts of welfare reform, but they may also be due in part to differences in characteristics between Welfare Reform and Traditional Welfare clients who received welfare. Nevertheless, the results *suggest* that the program's impacts may not persist after clients leave welfare.

---

[92] This is not intended to suggest that TANF and work are clients' only sources of income. Clients may also receive assistance from Food Stamps and other public and private programs, as well as income from child support.

[93] For example, Florida's Family Transition Program, which disregarded the first $200 of earnings and half of all additional earnings, increased the proportion of clients who combined welfare and work (Bloom et al. 1998).

[94] The numbers in the bottom panel are calculated from the numbers in the top panel. For example, the proportion of Welfare Reform group clients receiving welfare who were employed in the last quarter of year 1 (43.2 percent) is calculated as the proportion of welfare reform clients who were employed and received TANF (18.7 percent) divided by the proportion of welfare reform clients who received TANF (24.6 plus 18.7 percent, or 43.3 percent).

4.7 IMPACTS ON FOOD STAMP RECEIPT AND PAYMENTS

The bottom three panels of Exhibit 4.1 show that, for the full sample, Indiana's program produced statistically significant but small reductions in Food Stamp receipt and payments. Over the two years of follow-up, rates of receipt and average payments for Welfare Reform group members were about three percent lower than for Traditional Welfare group members. The absolute and proportionate impacts on Food Stamps were smaller than the impacts on AFDC/TANF payments.

Exhibit 4.1 also shows that, over the follow-up period, clients were more likely to receive Food Stamps than TANF, and clients received more in Food Stamps than in TANF payments. For example, in year 2 Welfare Reform group members on average received about $1,450 in Food Stamps, compared to $980 in TANF payments.[95] Because TANF receipt declined faster than Food Stamp receipt, the relative importance of Food Stamps for these clients has grown over time. As clients reach their TANF time limit, Food Stamps may play an important role as a partial substitute for TANF.

As with the other impacts presented so far, the overall reductions in Food Stamp receipt and payments are due almost entirely to impacts on clients in the Placement Track subgroup. Exhibits 4.2 through 4.4 show the Food Stamp impacts for Placement Track, Basic Track, and exempt clients. For Placement Track clients, all of the Food Stamp reductions are statistically significant and generally are only slightly smaller in size than the reductions in TANF receipt and payments. The most likely reason for the impact on Food Stamps is the sizeable earnings gains for Placement Track clients, because earnings are used in calculating the Food Stamp amount.

The Food Stamp impacts for Basic Track clients are all positive but generally small. For exempt clients Food Stamp impacts are all negative and small. None of the impacts for these two subgroups is statistically significant.

[95] Average food stamp benefits were larger than TANF benefits for Welfare Reform group members because Food Stamp receipt rates were higher than TANF receipt rates, and because Food Stamp benefit amounts are somewhat higher than TANF benefit amounts. For a family of three with no earnings, the maximum TANF and Food Stamp benefits in Indiana as of September 1998 are $288 and $321, respectively.

4.8 Impacts on Combined Income from Earnings, AFDC/TANF, and Food Stamps

Indiana's program seeks not just to increase employment and decrease reliance on welfare, but also to make participants better off financially. One measure of the degree to which clients are better off financially is their combined income from earnings, AFDC/TANF, and Food Stamps. This is not a complete measure of income, because it excludes child support, the federal earned income tax credit, other transfer payments, monetary help from friends and family, and earnings from work not covered in UI wage records. (It also excludes tax payments and any increase in work expenses associated with becoming employed or increasing employment, such as the costs of child care, clothing, and transportation.) Nevertheless, for welfare clients these three components of income are likely to be very important, and they are also likely to be the sources of income most directly affected by the program.

Exhibit 4.12 shows that Indiana's program had little effect on average income for any of the subgroups. On average, Placement Track clients in the Welfare Reform group received $14,937 in income over the entire follow-up period (or $7,469 per year), about $300 or two percent more than the $14,640 received by their Traditional Welfare group counterparts ($7,320 per year). Similarly, Basic Track clients in the Welfare Reform group had incomes about two percent higher than Basic Track clients in the Traditional Welfare group. Although both these estimated impacts were positive, neither was statistically significant. The estimated impacts are negative for exempt clients, but again are small in size and not statistically significant.

The program did not substantially increase income for Placement Track clients because the positive earnings impacts were offset by negative impacts on AFDC/TANF and Food Stamp payments. For Basic Track and exempt clients, the lack of impact on income is due to the lack of impacts on the components of income; that is, earnings, TANF payments, and Food Stamp payments. In short, there is so far no evidence that the program has succeeded in increasing clients' average income. These results for Indiana's program are similar to those found elsewhere; few welfare-to-work programs have been shown to have large positive impacts on income.

Similarly, Indiana's program has had little effect on the proportion of clients with incomes above the poverty level. Exhibit 4.12 shows that income from earnings, TANF, and Food Stamps in year 1 was enough to raise about 15 percent of Placement Track clients in the Welfare Reform group above the 1996 federal poverty line for a family of three ($12,273). The comparable proportion for the Traditional Welfare group was about 11 percent; the estimated impact of four percent is statistically significant. However, that effect had disappeared by year 2; although the proportion of Welfare Reform group members above poverty increased in year 2, the proportion of Traditional Welfare group members increased by more. Impacts for the other two subgroups were

Exhibit 4.12
Impacts on Income from Earnings, AFDC/TANF, and Food Stamps, by Placement Track, Basic Track, and Exempt Subgroups

Subgroup and Outcome	Welfare Reform Group	Traditional Welfare Group	Difference	Percentage Change
Placement Track				
Average total income from earnings, AFDC/TANF, and Food Stamps, Years 1-2	$14,937	$14,640	$297	2.0%
Year 1	7,358	7,138	220	3.1
Year 2	7,579	7,502	77	1.0
Income above 1996 Federal poverty line for a family of three				
Year 1	14.6	10.7	3.9**	36.4
Year 2	20.8	19.8	1.0	5.1
Proportion of income from earnings				
Year 1	41.4	34.4	7.0***	20.3
Year 2	54.0	48.1	5.9***	12.3
Sample size (total = 5,596)	4,537	1,059		
Basic Track				
Average total income from earnings, AFDC/TANF, and Food Stamps, Years 1-2	$11,938	$11,686	$252	2.2%
Year 1	5,957	6,041	-86	-1.4
Year 2	5,981	5,645	336	6.0
Income above 1996 Federal poverty line for a family of three				
Year 1	6.8	7.6	-0.8	-10.8
Year 2	11.8	8.8	3.0	34.1
Proportion of income from earnings				
Year 1	29.8	29.6	0.2	0.7
Year 2	41.0	41.4	-0.4	-1.0
Sample size (total 3,855)	3,090	766		
Exempt				
Average total income from earnings, AFDC/TANF, and Food Stamps, Years 1-2	$13,057	$13,311	$-254	-1.9%
Year 1	6,500	6,590	-90	-1.4
Year 2	6,557	6,721	-164	-2.4
Income above 1996 Federal poverty line for a family of three				
Year 1	8.6	9.7	-1.1	-11.3
Year 2	14.0	14.2	-0.2	-1.4
Proportion of income from earnings				
Year 1	33.7	33.5	0.2	0.6
Year 2	44.5	44.3	0.2	0.5
Sample size (total -= 6,454)	5,437	1,017		

DATA SOURCES: Indiana Unemployment Insurance earnings records and Indiana Client Eligibility System records.

NOTE: A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent.

not statistically significant in either year of follow-up. Across the three subgroups, the overwhelming majority of clients were poor in both years of follow-up.

On the other hand, the results show that the program increased the share of income from earnings for Placement Track clients, consistent with the goal of reducing welfare reliance. Exhibit 4.12 shows that, by the last quarter of year 2, Welfare Reform group members received an average of 54 percent of their income from earnings, compared with an average of 48 percent for the Traditional Welfare group. There were no impacts on this measure for Basic Track or exempt clients. With or without a program impact, over time Welfare Reform and Traditional Welfare group members in all subgroups substantially increased the share of income from earnings.

Although the share of income from earnings increased, there is no evidence of a trend in average income across follow-up quarters for any of the subgroups, unlike the outcomes shown earlier (that is, earnings, employment, TANF and Food Stamp receipt). Average income varies somewhat from quarter to quarter, but it is not appreciably higher in quarter 8 than in quarter 1 for the Welfare Reform or Traditional Welfare groups in any of the subgroups except one: average income for Traditional Welfare group clients in the Placement Track increases about eleven percent between quarters 1 and 8. Because TANF and Food Stamp benefits are relatively fixed, growth in income over time will depend primarily on growth in earnings. Within the first two years of follow-up, the growth in average earnings that occurred was offset by reductions in TANF and Food Stamp benefits. To the extent that earnings continue to grow in subsequent follow-up quarters, income might be expected to grow, because most of the clients in this cohort have already reduced their TANF and Food Stamp benefits to zero. This is likely to be true, however, for both the Welfare Reform and Traditional Welfare groups, so a positive *impact* on income is unlikely to materialize in the future absent further policy changes.

4.9 IMPACTS ON RECEIPT OF OTHER ASSISTANCE

Although Indiana's welfare reform program is intended primarily to affect work and public assistance receipt (both AFDC/TANF and the programs linked to it, Food Stamps and Medicaid), it is possible that welfare reform has affected clients' reliance on other public programs or community organizations. For example, to the extent that welfare reform increased employment for some clients and thereby increased their incomes, it might have *reduced* reliance on other sources of assistance. Alternatively, the program might have *increased* clients' use of other sources of assistance, either to help with work expenses as clients increased their employment (for example, help with transportation or child care), or as substitutes for their decreased reliance on welfare. In general, there is reason to expect effects that are smaller than for earnings, TANF, and Food Stamps, because these latter outcomes are more direct targets of Indiana's program. Any effects of Indiana's program on other sources of assistance can also be expected to be larger for Placement Track clients and smaller for exempt clients, because these subgroups were subject to the most and least intensive policy changes, respectively.

Analyses of data from the client follow-up survey provide no evidence that Indiana's welfare reform program has had an impact, positive or negative, on reliance on other public programs or community organizations. Respondents were asked about *current* receipt of a number of government programs, and about any help *since random assignment* from a variety of community organizations. Exhibit 4.13 lists rates of receipt and impacts for each of the types of assistance. The analysis is based on responses from nearly all 1,593 survey respondents, divided about equally between the Welfare Reform and Traditional Welfare groups.[96] Because of the small sample size, Placement Track and Basic Track clients were combined into a single subgroup of mandatory clients. The exhibit presents impact estimates for both mandatory and exempt clients. Out of a total of 42 impacts (21 types of assistance each for mandatory and exempt clients), only one estimate was statistically significant (decreased use of counseling or emotional support by mandatory Welfare Reform group members). This is no more than would be expected by chance.[97] The absence of significant impacts could be due to the small sample size, combining Placement Track and Basic Track clients, or to a real absence of impacts.

Exhibit 4.13 is also interesting for what it reveals about current and former welfare recipients' use of other sources of assistance. The tabulations show that recipients rely on a number of different sources of help beyond AFDC/TANF and food stamps, suggesting that clients use multifaceted coping strategies. The sources of assistance most frequently used are food-related: school lunch, school breakfast, and WIC among public programs, and food banks or soup kitchens among private programs. About one out of four survey respondents reported receiving help from a food bank or soup kitchen since the month of random assignment, suggesting that such community organizations play an important role for welfare recipients. More generally, the private sector plays an important role for welfare recipients; about half of all survey respondents reported receiving some help from the private sector since random assignment (tabulation not shown). Finally, the exhibit shows two clear differences in other sources of assistance for mandatory and exempt clients: exempt clients are much more likely to participate in WIC, and less likely to participate in the school lunch and breakfast programs. These results are consistent with the fact that exempt clients on average have younger children.

---

[96] There were missing data on these questions for fifteen of the 1,593 responses, or about one percent.

[97] In other words, even in situations where there are truly no impacts, on average one of every ten estimates would be statistically significant at the ten percent level.

Exhibit 4.13
Impacts on Receipt of Other Assistance, for Mandatory and Exempt Clients

Subgroup and Outcome	Welfare Reform Group	Traditional Welfare Group	Difference
Mandatory clients			
Receiving any of the following types of government assistance at the time of the survey :			
School lunch program	63.6%	60.9%	2.7
School breakfast program	44.8	47.3	-2.5
WIC	21.5	23.2	-1.7
Child support from child support agency	11.9	9.0	2.9
Supplemental security income	9.9	12.4	-2.5
Social security	3.5	2.5	1.0
Township trustee assistance	3.2	3.7	-0.5
Unemployment insurance	0.6	0.2	0.4
Workers' compensation	0.0	0.0	0.0
Received any of the following types of nongovernmental assistance since random assignment :			
Food bank or soup kitchen	28.3%	25.6%	2.7
Help with phone bills/other utilities	24.6	21.0	3.6
Counseling/emotional support	13.4	16.9	-3.5*
Clothing/clothing vouchers	10.7	12.3	-1.6
Rental assistance	9.4	11.4	-2.0
Transportation/help paying for transp.	7.6	6.6	1.0
Child care/help paying for child care	6.1	4.6	1.5
Money	4.2	4.7	-0.5
Help from crisis center	3.6	4.1	-0.5
Emergency shelter	3.6	3.1	0.5
Legal aid	2.7	2.3	0.4
Other assistance	5.0	5.0	0.0
Sample size	496	450	

(Continued)

Exhibit 4.13 (Continued)
Impacts on Receipt of Other Assistance, for Mandatory and Exempt Clients

Subgroup and Outcome	Welfare Reform Group	Traditional Welfare Group	Difference
Exempt clients			
Receiving any of the following types of government assistance as of the time of the survey :			
School lunch program	39.9%	42.8%	-2.9
School breakfast program	29.2	30.2	-1.0
WIC	52.0	48.7	3.3
Child support from child support agency	8.4	9.7	-1.3
Supplemental security income	11.9	10.7	1.2
Social security	3.5	2.9	0.6
Township trustee assistance	4.9	4.4	0.5
Unemployment insurance	0.4	0.4	0.0
Workers' compensation	0.3	0.0	0.3
Received any of the following types of non-governmental assistance since random assignment :			
Food bank or soup kitchen	23.6%	26.2%	-2.6
Help with phone bills/other utilities	21.2	22.4	-1.2
Counseling/emotional support	10.2	11.3	-1.1
Clothing/clothing vouchers	10.6	11.6	-1.0
Rental assistance	9.6	8.3	1.3
Transportation/help paying for transp.	4.0	3.8	0.2
Child care/help paying for child care	6.4	9.4	-3.0
Money	3.6	4.0	-0.4
Help from crisis center	3.4	4.6	-1.2
Emergency shelter	1.1	1.8	-0.7
Legal aid	3.6	3.3	0.3
Other assistance	5.3	4.0	1.3
Sample size	313	319	

DATA SOURCE: Client follow-up survey.

NOTES:
1. Survey respondents were interviewed on average 17 months after enrolling in the demonstration. Observations are weighted to be representative of the entire Welfare Reform group enrolling by December 1995.
2. A two-tailed t-test was applied to differences between the Welfare Reform and Traditional Welfare groups. Statistical significance levels are indicated as *** = 1 percent, ** = 5 percent, * = 10 percent.

4.10 SUMMARY

The results reported in this chapter show that, consistent with its goals, Indiana's program increased earnings and decreased welfare receipt for Placement Track clients, who were the primary focus of the program during its first two years. The positive impact on earnings appears to be due primarily to an increase in the average number of quarters of employment, rather than to higher wages or an increase in average hours worked per quarter. The negative impact on AFDC/TANF payments is due primarily to a reduction in average months of welfare receipt, rather than to lower average grant amounts while clients were on welfare (as from earnings increases or financial sanctions). The program also reduced the use of Food Stamps among Placement Track clients. There is some evidence that impacts diminished over the two-year follow-up period.

Although the program increased the proportion of clients' income from earnings, it did not increase income—reductions in TANF and food stamp payments offset the positive impacts on earnings. Unlike some programs that have boosted income, Indiana's welfare reform program did not change the basic earnings disregards in the AFDC and Food Stamp programs, leaving in place a high implicit tax on earnings. These programs reduce benefit payments steeply as earnings increase.[98]

There is no evidence of impacts for Basic Track or exempt clients. The pattern of larger impacts for the Placement Track subgroup is consistent with expectations, given that these clients received the highest priority for IMPACT and were subject to important policy changes that did not apply to other clients (for example, the two-year case head time limit, the zero-grant and fixed-grant policies).

The impacts reported in this chapter likely understate the full impacts of Indiana's program, for reasons relating to: what the experiment was designed to capture; the exposure of some Traditional Welfare group clients to certain welfare reform policies; and the method used to estimate subgroup impacts. Section 4.2 and the appendix discuss these issues. Although the results do not necessarily capture the entire influence of Indiana's welfare reform, they do capture important differences in exposure to welfare reform policies and therefore have substantial policy relevance.

Evidence from both the impact and process studies suggests that the observed impacts on Placement Track clients are due primarily to an invigorated IMPACT program, and to aversion to

[98] It is also possible that sanctions are partly responsible for the negative impact on AFDC/TANF payments although, as noted earlier, sanctions appear to have played a much smaller role in payment impacts than did case closures.

new requirements and penalties. Responses to a small survey of closed cases suggest that a sizeable proportion of clients left welfare partly because of a negative reaction to the new rules. The IMPACT program's effectiveness, therefore, was due to some combination of the services provided (primarily job search), and the stronger enforcement of participation requirements, which may have induced some clients to find work on their own.

Impacts diminished over the follow-up period. One reason may be that the jobs clients got were often short-lived: survey data show that half of all first jobs begun since random assignment ended within six months. The short job duration in turn may be partly attributable to the low wages obtained by clients. Another factor behind the diminishing impacts is the rapid growth in employment and decrease in TANF receipt among Traditional Welfare group members. The high rates of employment and low rates of TANF receipt for this group by the end of the follow-up period decreases the likelihood of finding large program impacts.

The impact results for Indiana's program are consistent with results for similar programs in other states. The earnings impacts for Placement Track clients are generally smaller, and the welfare receipt and payment impacts are generally larger, than those found for the labor force attachment sites in the National Evaluation of Welfare-to-Work Strategies, for Minnesota's Family Investment Program, and for Florida's Family Transition Program. Like Indiana's program, other programs emphasizing quick labor force attachment often generate impacts that begin to fade within two years, and they increase earnings but rarely increase clients' total income. The small number of welfare-to-work programs that have been shown to increase income do so by significantly increasing earnings disregards and/or by increasing welfare payments.

Looking forward, there is some uncertainty about the path of impacts and there are substantial challenges for the State in realizing the potential benefits of recent policy shifts. The June 1997 expansion of Placement Track policies to a larger share of the caseload, and the growing reality of time limits for many clients means that, even absent further policy changes, the pattern of impacts may change substantially. Given the employment experiences of clients so far, the lack of growth in average income, and the full-family federal time limit, a key challenge is to help clients sustain their labor force attachment and move above poverty over time. Future reports for this evaluation will assess how clients fare in an evolving environment.

APPENDIX

METHOD FOR ESTIMATING IMPACTS FOR PLACEMENT AND BASIC TRACK SUBGROUPS

METHOD FOR ESTIMATING IMPACTS FOR PLACEMENT AND BASIC TRACK SUBGROUPS

This appendix describes the approach used to estimate the impacts reported in Chapter 4 for clients in the Placement and Basic Track subgroups. Given an experimental design, the standard approach to estimating subgroup impacts involves comparing mean outcomes for Welfare Reform and Traditional Welfare group clients within each subgroup.[1] This approach was used in Chapter 4 with modifications to compensate for a complication in identifying members of the Placement and Basic Track subgroups. The complication is that Traditional Welfare group members were not assigned to the Placement or Basic Tracks, which means that it was not possible to construct subgroups based on actual Placement or Basic Track assignments.

Instead, baseline characteristics were used to estimate a predicted probability of assignment to the Placement Track, for clients in *both* the Welfare Reform and Traditional Welfare groups. Subgroup estimates were then estimated by regressing the outcome of interest on the predicted probability of assignment to the Placement Track, a 0/1 variable indicating membership in the welfare reform group (in other words, a treatment group indicator), and the interaction of these two variables. The remainder of this appendix describes this approach more fully.

Because subgroups were defined using only exogenous characteristics, and because subgroups were defined identically for both the Welfare Reform and Traditional Welfare groups, the resulting impact estimates are experimental estimates, and therefore free from selection bias. The estimates may, however, contain bias due to measurement error—that is, inaccurate predictions—as discussed below.

For clients in the exempt subgroup, the approach above was not necessary, because caseworkers identified exempt clients prior to random assignment. Consequently, impacts for clients in the exempt subgroup were estimated in the usual way, as the difference in mean outcomes for exempt clients in the Welfare Reform and Traditional Welfare groups.

[1] Typically, the difference in mean outcomes is regression-adjusted, using a set of exogenous covariates, in order to improve the accuracy of the estimate.

Predicting Assignment to the Placement and Basic Tracks

The first step in the estimation process was to specify a model to predict assignment to the Placement and Basic Tracks. A random sample of 1,772 mandatory Welfare Reform group members whose Placement or Basic Track status was known was selected for this purpose. This random sample constituted about one-sixth of the entire sample of mandatory Welfare Reform group members. Using discriminant analysis, Placement and Basic Track status was modeled as a function of various baseline characteristics. The results of the model indicate that educational attainment and prior work experience are key predictors of Placement or Basic Track status, consistent with the actual assessment used by case workers.

The coefficients from the discriminant model were then used to calculate a predicted probability of assignment to the Placement Track, for each mandatory Traditional Welfare group client and each mandatory Welfare Reform group client, except those in the random sample used to fit the discriminant function. To avoid overfitting, this random sample was excluded in estimating subgroup impacts. The random sample, however, was included in estimating impacts for the full sample, to avoid bias in the full sample estimates.[2]

Estimating Subgroup Impacts

In the final step, we estimated impacts using the following specification[3]:

$$Y_i = b_0 + b_1{*}T_i + b_2{*}(T_i{*}PHAT_i) + b_3{*}PHAT_i + c{*}X_I + u_i;$$

where:

Y is the outcome of interest;

T is a 0/1 indicator variable (equal to 1 for Welfare Reform group members);

PHAT is the predicted probability of assignment to the Placement Track (a continuous variable);

X is a vector of baseline characteristics;

---

[2] Bias could arise if the proportion of the sample that was mandatory differed for the Welfare Reform and Traditional Welfare groups. This would occur if the random sample of mandatory Welfare Reform group members used to predict Placement and Basic Track status was excluded in estimating impacts for the full sample.

[3] We thank Larry Orr at Abt Associates Inc. for suggesting this specification.

u is a random error term; and

the subscript *i* indexes individuals.

The estimated impact for Basic Track clients is given by the coefficient b_1, which implicitly assumes a value of 0 for *PHAT*. The estimated impact for Placement Track clients is the sum of b_1 and b_2, which implicitly assumes a value of 1 for *PHAT*. The statistical significance of the Basic Track impact estimate is given by a conventional t-test from the above regression model. The statistical significance of the Placement Track impact estimate is calculated using an F-test to determine whether the sum of b_1 and b_2 is different from zero.

Accuracy of Predictions and Potential Bias

One way to examine the accuracy of the predictions is to compare *predicted* and *actual* Placement/Basic Track status, for those Welfare Reform group clients for whom actual Placement/Basic Track status was known. (Approximately 40 percent of mandatory Welfare Reform group members were not assigned to either the Placement or Basic Tracks, because they exited welfare or became exempt from IMPACT before the initial backlog in assessments was cleared.)

To cross-tabulate predicted and actual status, it was necessary to dichotomize the predicted probability of Placement Track status. Predicted scores equal to or greater than 0.5 were classified as belonging to the predicted Placement Track, and scores below 0.5 were classified as belonging to the predicted Basic Track. The results of the cross-tabulation are shown in the following table.

	Basic Track (predicted)	Placement Track (predicted)	Total
Basic Track (actual)	60.4%	39.6%	100.0
Placement Track (actual)	20.7%	79.3%	100.0

The table shows that the prediction model correctly classifies 79 percent of Placement Track clients and 60 percent of Basic Track clients. The table above *excludes* observations used to estimate the discriminant model; the analogous cross-tabulation for this sample showed very similar classification rates.

The use of predicted rather than actual subgroup status in estimating impacts introduces measurement error that may bias the impact estimates. In general, measurement error in independent variables biases coefficients so that estimated impacts are smaller than true impacts. In other words, the impact estimates reported for the Placement Track may underestimate true impacts.

The resulting estimates represent the impact of Placement and Basic Track policies on *all* mandatory clients, including the 40 percent of mandatory Welfare Reform group clients who left welfare before they could be assessed for assignment to either the Placement or Basic Tracks.[4] To get an estimate of the impact of Indiana's program on clients who were assigned, a "no-show" adjustment could be applied (Bloom 1984). Essentially, this adjustment involves dividing the impact estimates by the fraction of Welfare Reform group clients who were assigned to the Placement or Basic Tracks. A key assumption underlying the no-show adjustment is that Indiana's welfare reform program had no impact on mandatory clients who were not assigned to the Placement or Basic Track. This assumption might not be valid, since it is quite possible that some clients were not assigned because they exited welfare quickly in order to avoid program requirements. For this reason, the impact estimates reported in Chapter 4 were calculated without a no-show adjustment.[5]

[4] The model estimated the probability that a client would have been assigned to the Placement Track if she had been assigned, and not the probability that a client would receive any assignment. To put it another way, the model made no distinction between clients who actually received an assignment and clients who did not

[5] In addition, the estimates without the no-show adjustment may be a better measure of what might happen if Indiana's program were replicated elsewhere.